

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

THE CONDITION OF BUSINESS

8

NEW WASHINGTON

ALBERT W. ATWOOD 19

THE ANSWER NOBODY QUESTIONS

PAUL F. CADMAN 22

BROAD AND WALL

EDWARD H. COLLINS 24

WHEN IS 6% NOT 6%?

WILLIAM TRUFANT FOSTER 27

NEW HOMEBUILDING TECHNIQUES

MILES L. COLEAN 28

ENOUGH FOR FOUR BATTLESHIPS

PICTURES 33

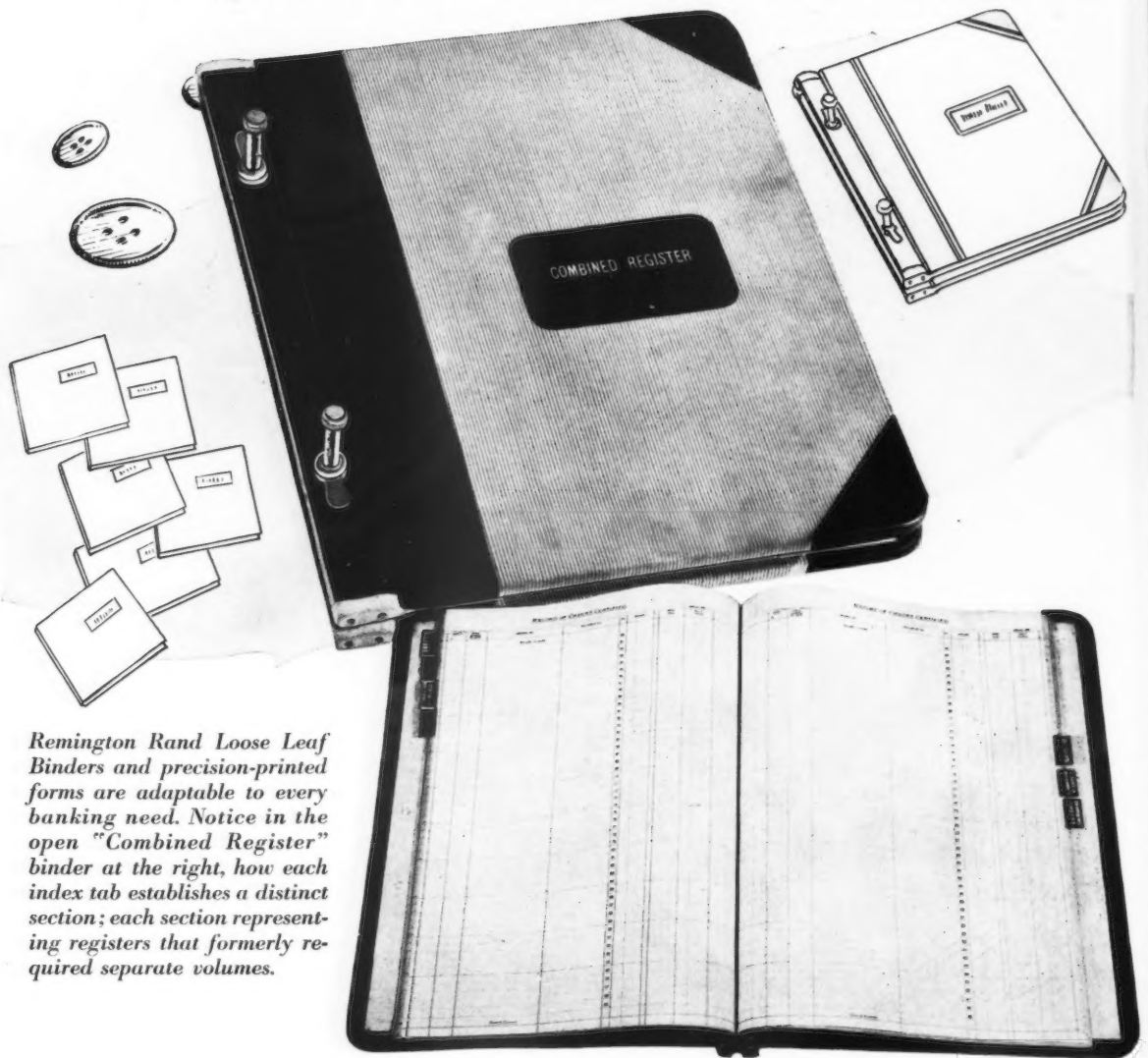


ORGANIZATION SECTION (A.I.B. AND GRADUATE SCHOOL PICTURES) 73

JULY, 1941

ARMY BANKING SERVICE... DEFENSE ACTIVITIES... INVESTMENTS... INSURANCE  
BONDS... CONSUMER CREDIT... PEOPLE YOU KNOW... METHODS AND IDEAS  
A.I.B. CONVENTION... WASHINGTON... BANK DIRECTORS... FEDERAL TAXES

# "Button, Button" IS NO GAME FOR Bankers!



*Remington Rand Loose Leaf Binders and precision-printed forms are adaptable to every banking need. Notice in the open "Combined Register" binder at the right, how each index tab establishes a distinct section; each section representing registers that formerly required separate volumes.*

● What blessed relief to have only *one* register to search regardless of whether you're referring to your Correspondent Bank or Cashier's Checks register! Just one register to refer to, post, locate, carry in and out of the vault, and finally, only *one* register to buy!

You'll find new convenience, simplicity, economy in the use of a Remington Rand Combined Register. Records may easily be discontinued, transferred, substituted and expanded . . . without waste or the necessity of confusing active records with inactive records.

## Wide Variety of Stock Register Forms

Remington Rand annually prints millions of stock

banking forms. Whatever your form problems, or type of register, you'll be able to buy a better designed form, printed on the *right* quality paper from Remington Rand . . . and the "long run" price will be less!

Call our nearest local office, or write Headquarters, and ask to see our Combined Register binder, sample forms and sample indexes. Do this today and see how your bank can now modernize and save at the same time!

**Bank Department**  
**Remington Rand Inc.**  
**Buffalo • New York**

NOISELESS, STANDARD, PORTABLE TYPEWRITERS . . . ADDING, CALCULATING, BOOKKEEPING MACHINES . . . PUNCHED-CARD ACCOUNTING AND TABULATING MACHINES . . . KARDEX VISIBLE SYSTEMS, RECORD PROTECTION, FILING METHODS AND EQUIPMENT, LOOSE-LEAF DEVICES . . . PHOTOGRAPHIC RECORDS EQUIPMENT . . . AND OTHER PRECISION PRODUCTS INCLUDING THE FAMOUS REMINGTON DUAL CLOSE-SHAVER DEALERS, SALES AND SERVICE OFFICES IN 517 CITIES

# Just a Minute



Pay Day!

## July 1941

THE SERGEANT above appears to be in line for some banking service, a circumstance that makes him (and his comrades in the background) a good introduction to this July issue of **BANKING**.

Before previewing briefly a few of the articles that have to do with defense, may we add that the photograph was taken at the Fort Jackson branch of The South Carolina National Bank, Columbia. The president of that institution is B. M. EDWARDS, Assistant to the Secretary of the Treasury and member of the defense savings staff.

Cashier T. J. LYONS informs us that the picture was made (you've guessed it) on Pay Day.

## Banks and the Bonds

"I SHOULD LIKE," said Secretary MORGENTHAU on the radio regarding the Defense Bonds, "to tell the bankers of America that I appreciate what they have done. The first month's results could not possibly have been so successful if the bankers had not put their shoulders to the wheel."

In this issue we publish pictures (page 33) that suggest the efforts of the banks to promote sale of the defense securities. It is only a suggestion at best, for obviously we can little more than

(CONTINUED ON PAGE 3)

# BANKING

JULY 1941  
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

## CONTENTS FOR JULY 1941 Amos Tuck School

Just a Minute . . . . .	1
The Condition of Business . . . . .	8
The National Prospect . . . . .	10
Books . . . . .	17
New Washington . . . . . <i>Albert W. Atwood</i>	19
The Answer Nobody Questions . . . . . <i>Paul F. Cadman</i>	22
Broad and Wall . . . . . <i>Edward H. Collins</i>	24
When Is 6% Not 6%? . . . . . <i>William Trufant Foster</i>	27
New Homebuilding Techniques . . . . . <i>Miles L. Colean</i>	28
A Bank Director's Local Contacts . . . . . <i>Milton Wright</i>	30
Buying DS Bonds Out of Wages . . . . .	32
Enough for Four Battleships . . . . . <i>Pictures</i>	33
Dear <b>BANKING</b> . . . . . <i>Pictures</i>	38
"All We Do Is Sign the Payroll" . . . . .	40
Bond Prices and Prospects . . . . . <i>E. Sherman Adams</i>	44
Bank Supervision Experience . . . . . <i>Gurden Edwards</i>	46
Stretching the Fire Policy . . . . . <i>Horace Ervin</i>	48
A Consumer Loan Survey . . . . . <i>John Kinneman, Jr.</i>	50
Heard Along Main Street . . . . . <i>Albert Journeay</i>	51
Wage and Hour Law (Legal Answer Page) . . . . .	56
Methods and Ideas . . . . . <i>John J. McCann</i>	58
Thank You, Mr. Cook . . . . .	70
Index to Advertisers . . . . .	72
ORGANIZATION SECTION . . . . .	73-96
Speaking of Bottlenecks . . . . . <i>William R. Kuhns</i>	75
Chicago Next September . . . . . <i>Pictures</i>	76
Family Budget Service . . . . . <i>J. R. Dunkerley</i>	78
Picture Log . . . . .	79
"Vivere Est Cogitare" . . . . . <i>Pictures</i>	80
With the A.I.B. at the Golden Gate . . . . . <i>Pictures</i>	82
County Data on Farm Loans. . . . . <i>N. J. Wall—A. G. Brown</i>	84
A New A.I.B. Sales Program . . . . .	87
Some State Association Presidents . . . . . <i>Pictures</i>	89
Organizations Afield . . . . .	90
News Paper . . . . .	92
Calendar . . . . .	95

**BANKING** — Published monthly by the American Bankers Association, 22 East 40th Street, New York, N. Y., U. S. A. — \$3.00 per year.

Volume XXXIV, No. 1. Copyright 1941, American Bankers Association, Harold Stonier, Executive Manager. William R. Kuhns, Editor. Assistant Editor, John L. Cooley. Editorial Assistants, August A. Small and Mary B. Leach. Field Representatives: Alden B. Baxter, Advertising Manager, Prentiss Jackson, Jr., Malcolm Davis, 22 E. 40th St., New York City; Robert W. Kneebone, 230 N. Michigan Ave., Chicago, Ill.; R. J. Birch & Co., San Francisco, Cal.; Stanley Ikerd, Los Angeles, Cal. Washington office, Washington Building, 15th St. and Pennsylvania Ave.; Circulation Manager, Robert J. Stiehl. Subscriptions: \$3 yearly; Canada, \$3.36; foreign, \$3.72; single copies, 25 cents. Entered as second-class matter May 5, 1909, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Additional entry at Concord, N. H. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

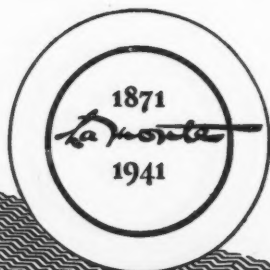


# Chosen....

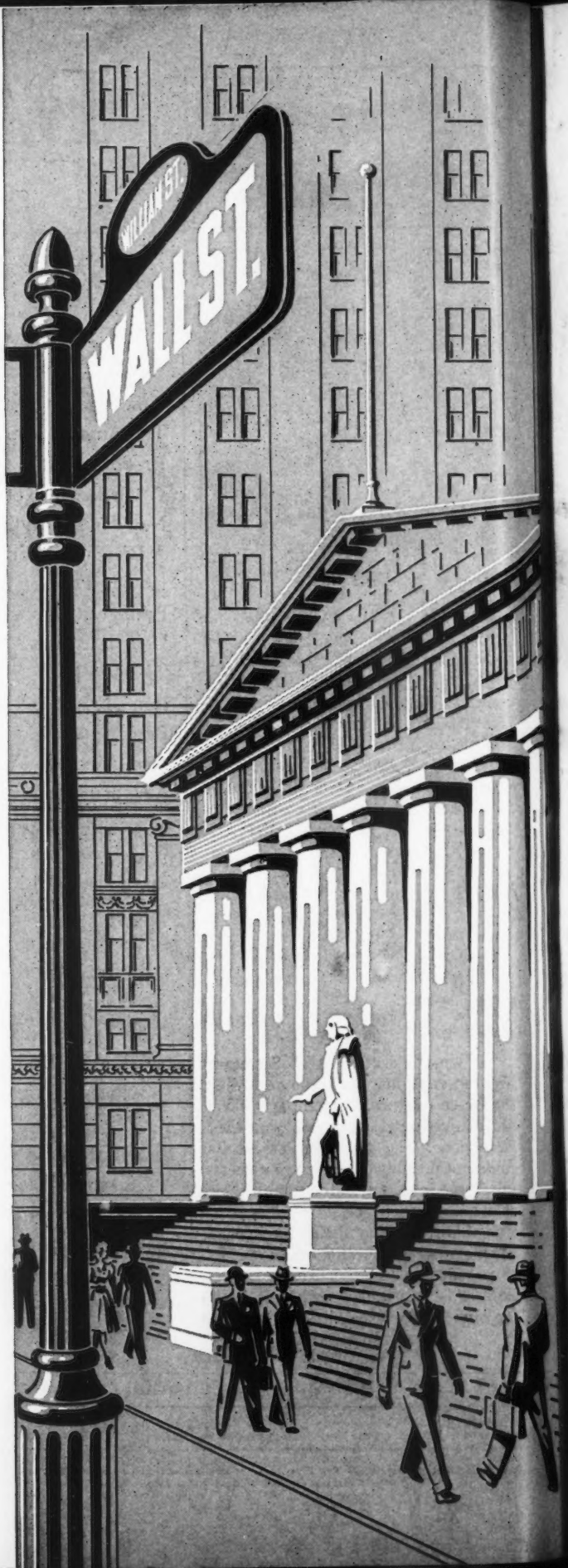
## BY AMERICA'S LARGEST BANKS

The demand for La Monte Safety Papers is as wide as the nation—and as deep as man's desire to safeguard the funds he places in transit when he mails or hands over a check. » » Here is a check paper which defies alteration and counterfeiting—as distinctive as a crisp new bank note—recognized, the nation over, as the standard of safety for check protection. » » When you use La Monte Safety Paper, you join the ranks of the largest and most successful organizations of their kind in the world. For more than 75% of America's leading banks — as well as outstanding corporations from coast to coast — are regular users of La Monte Safety Papers. » » If you desire the utmost in safety and distinction, we will be glad to work with you and your lithographer or printer in developing for you an individual trade mark design incorporated in the paper itself.

**GEORGE LA MONTE & SON**  
Nutley . . . . . New Jersey



THE SAFETY PAPER  
WITH THE WAVY  
LINES





## JUST A MINUTE—Continued

symbolize the activity of banking institutions in calling the public's attention to the bonds and stamps.

"Enough for Four Battleships" is the title of our story. There'll be another instalment next month because we didn't have room for all the photographs received.

### *Banks and the Army*

"ALL WE do is sign the payroll", first line of an old Army chant, seemed to fit our report on banking service for men in the cantonments and forts, so we requisitioned it as the title for the article on page 40.

Here's another case of being obliged to use the sampling method of covering an important story; a complete report on how banks are helping with the Army's personal finances would have required far more space than was at our disposal. More of the sample in August.

### *Old and New*

THIS MONTH we present contrasting pictures of the high pressure area around Washington and the low pressure area around Wall Street.

ALBERT ATWOOD, a competent guide, takes you on a little tour of Washington, pointing out not the city's new buildings but the various human groups that now have a hand in directing the coun-

try's affairs—including, of course, the national finances.

EDWARD H. COLLINS conducts you on a survey of the New York Stock Exchange, and you get a penetrating look at that institution's present status and at the condition of the security business in general, traditionally a barometer of private enterprise.

Take these two trips. Mr. ATWOOD's leaves from page 19, Mr. COLLINS is waiting on page 24.

### *British Confidence*

FROM W. L. DICKINSON, librarian of the London School of Economics and Political Science, comes this unusual letter:

"In view of the recent heavy air raids upon London, and in view of the fact that we ought to conserve our shipping space for the import of armaments and food, I write to enquire whether it would be possible for you to retain for us, in your offices, a file of BANKING as from 1941, Vol. 33, No. 11, up to the time when we have won the war when we will write again to you for the file to be sent to us.

"We very much hope such an arrangement may be possible. It would conserve our shipping space; it would prevent losses through enemy action; it would conserve labour at this end; and, when the war is over, we should

(CONTINUED ON PAGE 5)

### BANK DEFENSE BOND AD SCRAPBOOK

The Advertising Department of the American Bankers Association recently surveyed one week's advertising of defense securities by banks. In that time, it was estimated, the banks spent \$125,000 for displays in papers read by 50,000,000 people. A scrapbook containing some of the ads was presented to Treasury officials. Below, after the presentation, left to right, Merle E. Selecman, department director; Eugene W. Sloan, executive director of the Treasury's defense savings staff; Mrs. Arthur Woods of the defense savings staff, a great-great-granddaughter of Alexander Hamilton; and John B. Mack, assistant director of the A.B.A. department



July 1941

HARRIS & EWING

## SPECIALISTS IN

## UNITED STATES GOVERNMENT SECURITIES

GUARANTEED ISSUES  
FEDERAL LAND BANK  
OTHER AGENCY ISSUES  
TERRITORIAL AND  
MUNICIPAL BONDS

## C. J. DEVINE & CO.

48 WALL STREET, NEW YORK

HAnover 2-2727

CHICAGO • BOSTON • PHILADELPHIA  
CINCINNATI • ST. LOUIS • SAN FRANCISCO

Direct Wires to all Offices

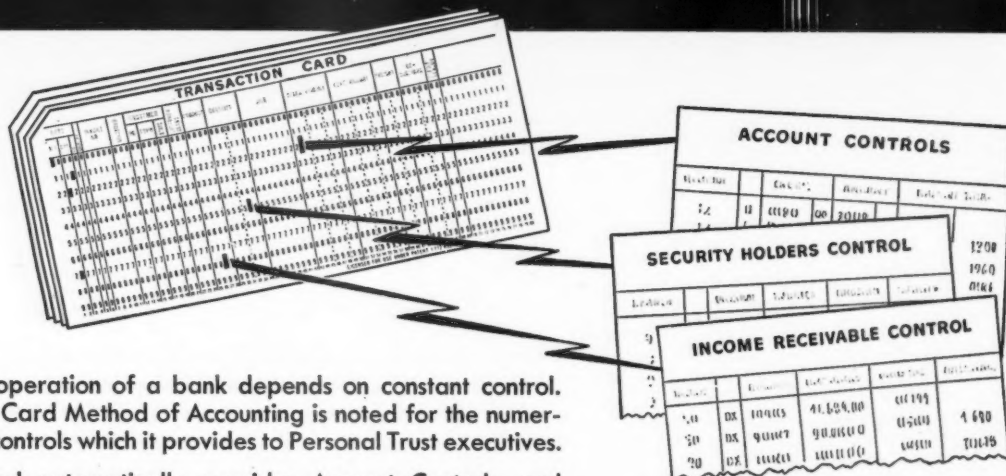
## R. G. RANKIN & CO.

CERTIFIED  
PUBLIC  
ACCOUNTANTS

NEW YORK  
CHICAGO  
WASHINGTON

# Positive Controls . . .

punched cards  
provide positive controls  
for Personal Trust Accounting



Successful operation of a bank depends on constant control. The Punched Card Method of Accounting is noted for the numerous reliable controls which it provides to Personal Trust executives.

This method automatically provides Account Controls, and Security Holders' Controls. In addition, this punched card method also provides controls over Receipt, and Credit to Proper Account of every item of income due. The laborious task of checking Income Cash Ledger Entries to Account Asset Ledger Record is entirely eliminated.

Many important banks and trust companies are realizing greater operating efficiency and economy through the use of punched card accounting machines. You can apply the advantages of this modern accounting method to many banking operations by a permanent machine installation, or by employing the IBM Service Bureau, which is thoroughly equipped and ready to serve you on a complete-job or part-time basis. For further information write to our general offices, 590 Madison Ave., N.Y.

Consider these

## ADVANTAGES

- 1 Finished reports, statements, lists, and schedules obtained automatically from original punched card records.
- 2 Automatic machine action speeds routine work, allowing more time for service to clients.
- 3 Only one recording of each entry required.
- 4 Small Personal Trust Accounts handled at a profit.

# INTERNATIONAL BUSINESS MACHINES CORPORATION

Offices in



Principal Cities

## JUST A MINUTE—Continued

still hold a complete file of BANKING ready for the days when academic research can be resumed once more."

Needless to say the file has already been started in BANKING's office. The School is part of the University of London.

### Everett Dean Martin

BANKERS WHO attended The Graduate School of Banking resident sessions in 1938-40 will long remember the seminar discussions led by the late Dr. EVERETT DEAN MARTIN, professor of social psychology at Claremont Colleges, California. Dr. MARTIN died at his home in Claremont on May 10 at the age of 61.

His brilliant lectures, as well as his numerous books and articles (he did some writing for BANKING), reflected an intimate knowledge of history's significance. He made facts live, marshaling them with a skill that clarified for his hearers many perplexing problems of the present.

### They Read About It in BANKING

IT MIGHT interest us to know (indeed it did), wrote RICHARD M. LEDERER, board chairman of the Standard National Bank, Woodside, New York, that after reading "New Film on Defense Contracts" in our May issue, the bank arranged with the OPM for the first showing of the picture in New York.

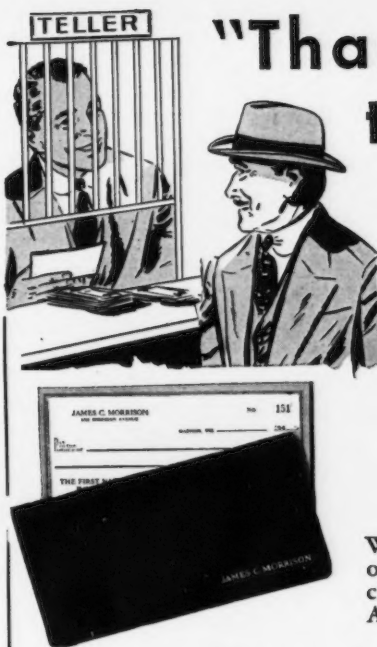
This metropolitan premiere was before the monthly meeting of the American Business Congress. A member of the New York Federal Reserve Bank staff elaborated on the story told by the movie.

Later the bank invited 50 representative business concerns in the metal and woodworking trades in its territory to view the film at a luncheon. Spokes-

The War Department seeks to make "Keep 'Em Flying" the national slogan for the duration of the emergency



July 1941



# "Thanks for telling me"

—That's the attitude of a large proportion of bank customers when told about getting 200 checks on National Safety Paper—imprinted with their name and address. With initial orders we also supply a fine leather cover gold-stamped with customer's name

—all for \$1.25

WRITE for the full details of our plan to promote personalized checks. A big saving for your bank! A real service for your customers!

Plants at  
NEW YORK  
CLEVELAND

## De Luxe

### CHECK PRINTERS, INC.

*Lithographers and Printers*

CHICAGO  
KANSAS CITY  
ST. PAUL

★ ★ ★ NEW YORK
NEW JERSEY ★ ★ ★

★ ★ ★ NEW YORK
NEW JERSEY ★ ★ ★

## To The Middle Atlantic States

PROVIDING INVESTMENT CAPITAL

**M**OST populous and most highly industrialized, the Middle Atlantic States naturally rank high in capital requirements, in production of goods, and in wealth.

Center of shipping from the days of "Fulton's Folly"; of security trading since the days of the Buttonwood Tree; starting point of western migrations down the Ohio River and through the Erie Canal—these States have long been the spearhead of American progress.

In their internal development and

in making their resources available to other sections, The Middle Atlantic States have had frequent occasion to utilize the facilities of investment organizations such as our own.

As in other sections, Halsey, Stuart & Co. Inc. has made its contribution to progress through its participation as an original underwriter in some 500 bond issues, totaling about \$2,250,000,000, of representative corporations and municipalities in the Middle Atlantic States.

Second of a Series of excerpts from our brochure, "Providing Nationwide Investment Capital... 1903-1941," a copy of which will be sent upon request.

CHICAGO, 201 S. LA SALLE STREET • NEW YORK, 35 WALL STREET • AND OTHER PRINCIPAL CITIES

## HALSEY, STUART & CO. Inc.



men for the bank told the businessmen that the institution would gladly aid them in registering their equipment with the OPM and assist them in obtaining defense contracts.

The Standard National, incidentally, claims the distinction of having made the first defense financing loan in the United States.

### From Our Scrapbook

THE MISSISSIPPI VALLEY TRUST COMPANY of St. Louis distributed to

members of its business development staff reprints of "Employee Personality and Customer Potential", by Will Irwin and Bob Kirkpatrick, which appeared in the April issue of BANKING.

W. MERRITT WISHAM, executive vice-president of the Hackettstown (New Jersey) National Bank, writes to say that he was much interested in our May item about the farm service department established by the Farmers National Bank of Salem, Ohio. It seems that Mr.

WISHAM's bank and the First National of Belvidere, New Jersey, recently formed a joint agricultural department to assist the farmers of their agricultural community. A former county agent, John W. Raab, is in charge.

The magazine published by the Continental Casualty Company, *Continental Agents' Record*, recently requested (and received) permission to reprint "Kin I Help Yuh?", by RICHARD C. REAGER, which we published in May.

## BUILDING FOR DEFENSE

The Bell System is putting in about 400 million dollars' worth of new equipment this year. . . .

The busier this country gets with production and defense, the more everybody telephones.

Our #1 job is to do our best to keep pace with the needs of the Nation in this emergency.



BELL TELEPHONE SYSTEM



• "The Telephone Hour" is broadcast every Monday. (N. B. C. Red Network, 8 P. M., Eastern Daylight Saving Time.)

### "A Good, Friendly Bunch"

FROM C. B. EDWARDS, author of "Dear Brother Tellers" in a recent issue, comes pleasant reading in the form of a letter.

"If any advertiser," he writes, "doubts 'pulling power' he should see and read the variety of my fan mail resulting from two articles written by me."

[The second article referred to is Mr. EDWARDS' comment, as reported in this department, on numismatics, a subject in which he specializes.]

"Have given advice and information as to coin values to many brothers in our profession throughout the U.S.A. I have had many varied favorable comments on article 'Dear Brother Tellers', such as 'will instruct all our tellers to read' and from Secret Service District No. 10, 'We had re-copy made for our operators, in our Bulletin.' I have had invitations to visit bankers, and even to spend vacation time trout fishing in Gunnison, Colorado.

"When you take into consideration the fact that most of the boys writing are personally unknown to me, it shows what a good friendly bunch makes up our honored profession."

### Doctors Cadman and Leacock

WHEN WE HAD reached this point in the compilation of "Just a Minute", Dr. CADMAN's manuscript "The Answer Nobody Questions" was laid on the desk.

Our hunting and picking on the typewriter ceased immediately and we settled back for a good read.

Now we're not going to spoil the article for you by talking about it here, but please be guided by a gentle admonition:

Don't miss this one.

Of course, if you didn't read STEPHEN LEACOCK's "The Question Nobody Answers" in last month's magazine you'd better catch up with it before reading Dr. CADMAN. The two are — well, supplementary, so to speak.

BANKING



## Personal Loans and Financing Accounts

...Involve 12, 18 or 24 receiving, posting, follow-up and handling transactions per account.

Yet, profitable operation is assured if detailed work and costs are kept at a minimum.

Our great Financing Companies and Banks, who have been engaged in this line of business for many years, have solved this problem by using Allison's Payment or Deposit Coupon Books.

Their actual experience has proven that - expenses are reduced - receiving services are speeded up - collections improved and greater convenience provided for the customer.

Your Personal Loan and Financing problems are the same as their problems and a knowledge of this system, its advantages and economy, will show that it will do just as much for your bank as it has for the thousands of others engaged in this same class of business.

Write to ALLISON COUPON COMPANY, Indianapolis, Ind. for complete information and samples. There is no obligation. All the facts will be gladly furnished. Do it Today.

**ALLISON**  
SINCE 1888



"Safe or not, I ain't crawlin' through that thing for nobody".—From *The Dark Horse*, published by Lloyd's Bank, London

By the way, the Canadian Bankers Association liked Professor Leacock's article so much that it requested (and got) permission to reprint it in the July issue of "The Canadian Banker."

### Anticipation

BANKING'S Year Book Issue is coming in September.

Its pictures, articles, reviews, information and physical appearance will, needless to say, be Bigger and Better Than Ever.

More about it next month.

### Vol. 1 No. XXXIV No. 1

WITH THIS ISSUE BANKING starts a new year. As many of our readers know we began as the "Journal of the American Bankers Association", a magazine that was to be devoted (said the editorial announcement in the first number) "to an exposition of the principles and practice of banking and finance."

"Banking," continued that statement, "is a science, and the ascertainment and application of true principles to its conduct is necessary and vital to commercial prosperity and the welfare of the entire people. In the discussion and statement of general principles of banking and of the principles of law and established customs governing banking conduct, its effect will be educational, and the results, it is hoped beneficial."

We trust we are carrying on with that purpose.

In postscript, may we add that the index to Vol. XXXIII will be ready soon. It's free on request.

## COMMERCIAL INVESTMENT TRUST INCORPORATED



COMMERCIAL INVESTMENT TRUST Incorporated, with capital and surplus in excess of \$66,000,000, provides a nation-wide sales finance service through subsidiary companies with a network of branch offices throughout the United States. This service, in the main, consists of purchasing self-liquidating accounts, and extends to automobile dealers, household appliance dealers, and to manufacturers and dealers in many lines of industrial, commercial and professional equipment, including the heavy goods industries.

C. I. T. offers its standard notes for short term accommodation in varying amounts from \$1,000 to \$100,000, in maturities from 60 to 270 days and at current discount rates. These notes are payable at any of our 300 depository banks located in principal cities throughout the country.

*Latest published financial statement and list of depository banks will be mailed upon request.*

ADDRESS

**Treasurer,**

**Commercial Investment Trust Incorporated**

**1 Park Ave., New York, N. Y.**

# The Condition of BUSINESS

**OUTLOOK.** The condition of business has come to be governed largely by one simple fact, that defense will get what it wants of men, materials, money and transport facilities, and non-defense business will fight for what is left. At this point, however, the simplicity ends.

The vast complications of deciding what is defense activity and what is not, and choosing just the right shade of priority in each case, has business groggy.

From the nerve center in Washington and many subcenters there has developed very quickly a maze of controls telling manufacturers what they must make, how to make it, what materials to use, where to buy, where to sell, what prices to charge, what wages to pay and when to deliver. Some of these "musts" are embodied in contracts, some are oral and many are simply press releases, and their number is so great that no ordinary person can possibly keep up with them.

Businesses engaged in production for civilian consumption are apparently far from being aware of the changes that they must make in the future because of the defense program. Anyone making articles for civilian use out of any metal, out of any critical chemical or out of things that must be imported or in connection with which there is some other transportation problem, would do well to make immediate plans for manufacturing substitute articles, or getting into defense production, or becoming a defense subcontractor.

**GREAT DEFICITS AHEAD.** Also of high importance to the country is the lack of realization of the amazingly large expenditures which are indicated definitely for the future. Without any allowance for an increase in the price level or for higher taxation, an authoritative estimate of the defense expenditures alone, on a calendar year basis, are as follows: For 1941, \$16,324,000,000 and for 1942, \$40,305,000,000. Based on the best information at hand, the total expenditures, including both non-defense and defense, will create a minimum deficit for the calendar year 1942 around \$30,000,000,000.

The ramifications of priorities, price controls and government purchases reach to the farthest corners of the land and the very nature of the competitive profit system is being materially transformed at key points. But Barkus is willing and business can take it. Production is rising steadily although military and naval needs are rising even faster. It is a race with time but given round-the-clock operation and earnest collaboration between capital and labor, there is no question about winning the battle of production.

**PRIORITIES.** At the rate the priority system is developing it will not be long before every business in the country will feel the effects. The competition for priorities, even among industries engaged in defense work, is very sharp because there are various degrees of preference. If an industry is working on a Government contract and has trouble getting deliveries from a supplier, it

needs only to flourish a priority order to get action. The firm without a priority order or with an order of lesser rank, is simply out of luck. The lessons of world war, part one, are helpful in reaching decisions on priority but the problem is infinitely more complicated.

**PRICE CONTROL.** The Government has few powers to fix prices in private transactions but has managed to maintain ceiling prices of many manufactured goods and raw materials through priority regulations, its own purchases, adverse publicity, stage whispers to particular industries, and the threat to use various other powers. The weak parts of this picture are the indifference toward control of wages and consumer goods, and the inability to cope with rising prices in areas of great defense activity.

**CRITICAL LIST.** The critical list, comprising more than 300 commodities, is basic to the priorities system. The list is growing and changing constantly and includes in addition to aircraft and motor equipment all fabricated, mechanical and electrical goods needed for the maintenance of defense equipment. The widening range of these items is indicated by such samples as blankets, addressing machines, underwear, furnaces and gloves.

**INFLATION.** A view that has wide acceptance among business men and economists is that the Government will not act quickly enough to prevent a material rise in prices. There will not be enough taxes collected from the people who are receiving the defense money. There will not be enough defense bonds sold to the same group. The use of installment credit will not be safeguarded sufficiently or soon enough.

The difficulty in all of these controls is that their complete effectiveness requires the absolute subjection of business to bureaucratic regimentation and that is what the shooting is about.

**CROSS INDEX.** BANKING's cross index this month, based on a poll of 3,000 bank directors and presidents in all parts of the country, shows a continued upward trend. Eighty per cent of those polled for the purpose of this summary said that the volume of activity is increasing, 16 per cent reported activity maintained and 4 per cent reported a decline. The month before 74 per cent said that the direction was up, 20 per cent reported that their respective enterprises were holding their own, and 6 per cent reported an unfavorable trend.

The composite cross index figure this month stands at 95, compared with 93 last month.

This month 82 per cent of those reporting an upward trend in business say that the defense program is the reason. Last month the figure was 77 per cent.

Thirty-four per cent of the bankers included in the poll reported increased loan activity traceable to the defense program, compared with 31 per cent last month.

WILLIAM R. KUHN

BANKING





# STOP

and consider the opportunities

**FOR INCREASING YOUR VOLUME OF PROFITABLE  
LOANS THROUGH WAREHOUSE RECEIPTS  
AGAINST INVENTORY**

# GO

over your loan possibilities

**NOTE HOW MANY COMPANIES HAVE  
INVENTORIES THAT COULD EASILY  
BECOME LOAN ACTUALITIES THROUGH  
FIELD WAREHOUSING BY DOUGLAS-GUARDIAN!**

*A few of the  
many products  
Field Warehoused . . .*

Cotton, Coal, Furniture, Grain, Feeds,  
Liquor, Lumber, Hides, Malt, Clothing,  
Canned Goods, Petroleum, Seeds, Sugar,  
Textiles, Wool.



Why not STOP putting so much effort back of services that return too little profit. GO after more loans on inventory to provide increased earning capacity with safety.

Hundreds of leading bankers work with Douglas-Guardian. They've recommended our service to thousands of clients. Over 18 years experience . . . financially sound . . . well operated . . . highest references. Nation-wide service rendered from 16 offices.

MAIL THE COUPON for FREE Booklet — Financing the Modern Way — also to request call of a Douglas-Guardian representative, without obligation, when in your vicinity.



## Douglas-Guardian Warehouse Corporation

NATION-WIDE FIELD WAREHOUSING SERVICE

100 West Monroe St., Chicago, Ill.  
118 North Front St., New Orleans, La.

Atlanta, Ga.  
Cleveland, Ohio  
Dallas, Texas  
Easton, Md.

Los Angeles, Cal.  
Memphis, Tenn.  
New York, N. Y.  
Philadelphia, Pa.

San Francisco, Cal.

Portland, Ore.  
Rochester, N. Y.  
Springfield, Mo.  
Springfield, Mass.  
Tampa, Fla.

DOUGLAS-GUARDIAN WAREHOUSE CORP.  
Suite 1101, 100 W. Monroe St., Chicago, Ill.

☐ O. K. for your Douglas-Guardian man to call when in our neighborhood with understanding that no obligation is incurred.

☐ Send us free copy of your booklet, "Financing the Modern Way."



Bank's name .....

Address .....

For attention of .....



# The National Prospect



HERBERT M. BRATTER, reporter of the following news from Washington, writes each month for **BANKING**.

Washington, D. C.

## Two per cent depositary bonds

IN ANNOUNCING the recent offering of non-transferable two per cent bonds for sale to depositaries and financial agents of the Treasury, the Secretary explained that the policy is to maintain with designated depositaries, balances to the credit of the Treasurer of the United States in direct proportion to the service rendered by the banks. He said: "Banks are required to pledge collateral security for all Federal deposits, and, generally speaking, the only income derived from such deposits is the yield on Government securities purchased in the market for that purpose. To meet this situation it is considered desirable to provide a type of obligation which will have a fixed and uniform rate of yield to all depositary banks, not subject to market fluctuation, and redeemable upon due notice. The Treasury will continue designating banks only at necessary points and the bonds will be sold to depositary banks only in such amounts as will be required to provide an income to the banks necessary to offset the cost of the service rendered to the Government."

## Wolcott fears new RFC act

ADDRESSING THE HOUSE on the conference report on S. 1438, the bill extending the RFC authority, Representative Jesse P. Wolcott of Michigan

(R) expressed the view that the bill "authorized the President if he saw fit to do so to set up a Fascist state in America. . . . It is possible under this bill to destroy the American form of government," he said. "This bill must be read in connection with other recommendations of the President in respect to the condemnation of the private and real property of whatever nature."

## Loans at 10-year peak

NATIONAL BANKS, according to the "call" for April 4, showed total loans and discounts of \$10,427,000,000, the highest figure for any report date since 1931. Loans and discounts were about \$400,000,000 higher than on December 31, 1940, and \$1,367,000,000 over the amount reported on March 26, 1940.

The percentage of loans and discounts to total deposits on April 4, 1941, was 28.74, in comparison with 27.97 on December 31, 1940, and 28.32 on March 26, 1940.

The FDIC, publishing similar figures for 1940, notes that "Despite the increase in income on loans and in gross earnings [of insured commercial banks] there was a decline of \$6,000,000 in net operating earnings as compared with 1939. Gross earnings increased \$28,000,000 while gross expenses increased \$34 million during the year." On the other hand, net profits before dividends "were \$13,000,000 higher in 1940 than in 1939 and, with the exception of 1936, were greater than for any other year of deposit insurance. This increase over 1939,

in the face of lower net earnings, was a result of the fact that losses and charge-offs on assets declined considerably more than did recoveries."

## Upham addresses bankers

IN ADDRESSING the South Carolina Bankers Association in June, C. B. Upham, Deputy Comptroller of the Currency, referring to the sale of Defense Savings Bonds by the banks, commended highly "the loyalty and enthusiasm with which the banks have given cooperation in this enterprise." Mr. Upham also referred to less spectacular banking functions, one of which, making for "better, stronger banks," is the reduction in the book value of real estate owned either by charge-off or sale.

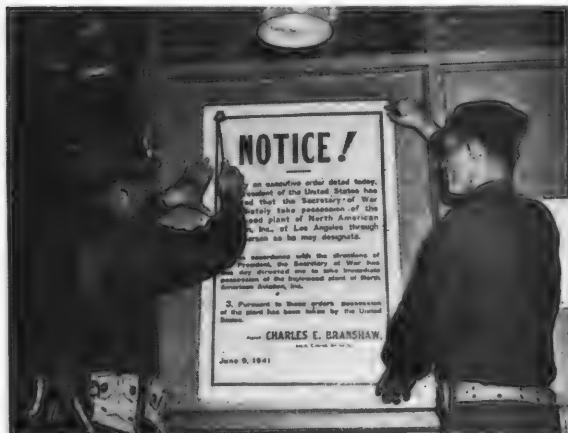
## British excess profits refund

THE BRITISH government this year introduced a provision in the excess profits tax which will interest many Americans. Sir Kingsley Wood's proposal, adopted by Parliament, treats one-fifth of the 100 per cent excess profits tax "as a reserve to be made available to industry at the end of the war for the purposes of reconstruction." This postwar refund will then be treated as income for normal income tax purposes. It may not be distributed to stockholders, but rather used for "the replacement of obsolete or unsatisfactory machinery with up-to-date machinery; the scrapping or adaptation to new uses of redundant installa-

(CONTINUED ON PAGE 12)

## SPEEDING UP DEFENSE

Below, right, one minute after the U.S.S. *South Dakota* had left the ways at Camden, New Jersey, the keel was laid for the 10,000 ton cruiser *Santa Fe*. Left, acting on authority of President Roosevelt, the Army took possession of the North American Aviation company plant at Inglewood, California, and striking workers went back to their jobs



INTERNATIONAL NEWS PHOTO



WIDE WORLD  
BANKING

# *Planned* **FOR TROUBLE**

Designed to meet the kind of trouble that wishing won't prevent, every fighter plane of our air force must pass rigid tests before acceptance. These planes, as well as the men who make them and the men who fly them, are a vital part of our defense against potential aggression.

F&D clients are well-protected against threatened trouble, too. Well-planned, thoroughly-tested coverages provide banks—large and small—with guaranteed security against many prevalent hazards. 9500 experienced local agents and 48 field offices add convenience and availability to a protection service proved sound through 51 years.

FIDELITY, SURETY AND BANKERS BLANKET BONDS  
BURGLARY, ROBBERY AND FORGERY INSURANCE

## Fidelity and Deposit

COMPANY OF MARYLAND, BALTIMORE

Since



1890



Curtiss-Wright's  
new Interceptor-Fighter



## BUSINESS NEED NOT "FLY BLIND"

OUR SERVICES CHART A SAFE  
COURSE THROUGH PROBLEMS  
INVOLVING . . .

- Property and Business Studies—
- Income and Estate Taxes—
- Continuous Property Records—
- Reorganization—Regulation—
- Court Testimony—Insurance



**The AMERICAN  
APPRAISAL Company**

Founded 1896 • Offices in Principal Cities



Through our 550 branches in Canada the New York Agency is in close touch with every phase of commercial and financial activity in the Dominion, and is well equipped to assist and serve corporations, firms and individuals interested in Canada.

*Inquiries invited*

## The Canadian Bank of Commerce

*New York Agency*  
Exchange Place & Hanover Street  
New York, N. Y.

*Head Office: Toronto*

LOS ANGELES      SAN FRANCISCO  
SEATTLE          PORTLAND, ORE.

## NATIONAL PROSPECT—Cont.

tions; the extension of the export market; and, in case of farmers, the improvement of the fertility of the land; and the promotion of good business."

### *That man again*

BEFORE THE Ways and Means Committee of the House, Congressman Patman again proposed "a slight change in our monetary system whereby the taxpayers would be saved from one to two billion dollars a year in interest charges"; namely, the issuance of non-interest-bearing bonds. The Texan had various other suggestions for defense financing, but taxing bank checks was not one. Said Mr. Patman: "The proposed tax on bank checks is deflationary, in addition to being a nuisance, it will cause the people great inconvenience and trouble that cannot be justified for the comparatively small amount to be raised. The Government should cultivate the goodwill of the people in this emergency instead of creating ill-will through an annoyance tax."

### *Dormant deposits*

CONGRESSMAN WRIGHT PATMAN, who keeps the House banking committee on its toes, has introduced a bill (HR 4886) for the disposition of unclaimed deposits in national banks. This bill, Mr. Patman states, "was carefully drawn by the Treasury Department, and I believe that I am safe in saying that it will have the support of the Treasury. Although the bill applies only to national banks, it is my purpose, when hearings are held before the Committee on Banking and Currency, to ascertain if it is possible to include other banks, whose deposits are insured by the Federal Deposit Insurance Corporation."

The deposits aimed at by the bill may be dormant, but no one has accused the Congressman of being dormant. When, recently, Chairman Eccles replied to a lengthy list of questions from Mr. Patman, the latter came right back with more.

### *Lee Wiggins*

SPEAKING of South Carolina bankers to a group of them, Deputy Comptroller Cyril B. Upham mentioned in particular Lee Wiggins, of Hartsville, who "has done an outstanding job as chairman of the Federal Legislative Committee of the American Bankers Association." (Besides being chairman of the Federal Legislative Committee, A. L. M. Wiggins is a member of the Executive Council and vice-president of the State Bank Division of the A.B.A.)

## Modernizing financial statements

MID-YEAR financial statements published by savings institutions and building and loan associations this July will be clearer and more understandable, the Federal Home Loan Bank board predicts. "The old stilted form of presenting the balance sheet to stockholders of financial institutions is passing out. The significance of a column of figures is increased for most people if there is a clear, concise explanation of the meaning of the different accounts. Many associations even illustrate their statements with drawings, or append other sections of simple text explaining their policies and methods of doing business; charts and graphs may depict growth in the various accounts. The whole statement is laid out in a pleasing, easy-to-read typographical form."

### *Gold's future in England*

FOR THOSE who think of a return to the gold standard, the following excerpt from the *London Economist* of March 29 may be of interest:

The change from gold standard to controlled sterling has removed the previous necessity for the Governor [of the Bank of England] to have an international bias in his experience. It is no longer his first commandment to husband the gold reserves, and therefore to be on constant watch for storm signals in the foreign exchanges. If the Governor nowadays should have one dominating interest it should rather be in the finance of British industry. . . .

For any banker or financier whose mind was set before 1931 it is almost impossible to change such beliefs as, for example, that exchange stability in a free market is the only natural state of the foreign exchanges, or that dear money has a higher ethical justification than cheap money.

### *Mortgages and insurance companies*

THE DECREASING importance of mortgages to life insurance companies, and their increasing investments in government bonds during recent years is the subject of comment in the *Federal Home Loan Bank Review*.

The most pronounced shift in the composition of the assets of these institutions in recent years has been the decline in mortgage investments from a peak of 42 per cent of total resources in 1929 to an estimated 19 per cent at the end of 1940. This decline has been offset by the sharp rise in the portion of their funds invested in U. S. Government securities from approximately two per cent of aggregate assets at the beginning of the thirties to almost 20 per cent at the close of last year. Total holdings of government bonds passed the \$6,000,000,000 mark during 1940 and for the first time exceeded the total amount invested by these companies in real estate mortgages.

## To help inventors help the U. S.

THE NATIONAL INVENTORS COUNCIL has issued a new information bulletin, "How Inventors Can Aid National Defense." The 22-page pamphlet, especially designed for inventors, scientists, engineers and other persons desirous of aiding the defense program, sets forth the purpose of the Council and briefly sketches the character of useful inventions. Also included are lists of the 12 technical committees into which the Council is divided, literature thought to be of value to the potential inventor, and procedure to be followed in submitting inventions for examination. The bulletin may be obtained without cost by addressing the National Inventors Council, Department of Commerce Building, Washington, D. C.

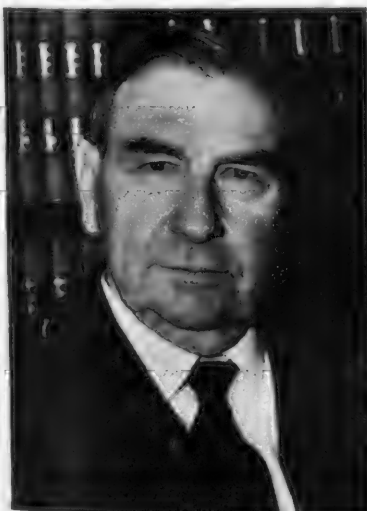
### Bottleneck in cork!

"ALL MANUFACTURERS of cork products today have been ordered to cut their processing operations in half, in the interests of National Defense." E. R. Stettinius, Jr., Director of Priorities, said the cut was made necessary by shipping uncertainties and a serious shortage in supplies.

### Hartford banker

LATIN AMERICAN scholars making visits to this country in line with our cultural activities are given a pretty free hand to travel where they will in pursuit of information. When Aurelio Espinosa Polit, Ecuadorian Jesuit au-

Harlan Fiske Stone, below, was named by President Roosevelt as Chief Justice of the United States. Senator James F. Byrnes, South Carolina, and Attorney General Robert H. Jackson were appointed Associate Justices of the Supreme Court at the same time



ACME

July 1941

# GMAC

GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL and other

foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK • BRANCHES IN PRINCIPAL CITIES

## Promoting FOREIGN TRADE

THE ROYAL BANK OF CANADA maintains over 600 branches in Canada and Newfoundland, 41 branches in the West Indies and 21 branches in Central and South America, also in London. Each office is fully equipped to extend every possible banking cooperation and to facilitate your customers' foreign trade . . . Enquiries invited through our Business Development Department, New York Agency, 68 William Street.

## THE ROYAL BANK OF CANADA

Resources over  
\$900,000,000



Head Office  
MONTREAL

An International Bank Serving 26 Countries



*straight line*

... is the shortest distance between two points.

That's an age-old axiom in simple geometry, and it's equally applicable to the type of service you receive at the great Stevens Hotel: the easiest, most logical way of rendering a service.

Thus, for the comfort and convenience of the individual convention delegate, The Stevens has evolved a unique plan of registration that cuts straight across the old red tape of lobby-registration.

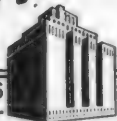
Under The Stevens' system of pre-registration, you automatically reserve your room by mail confirmation. So, when you arrive at The Stevens for your convention, you merely present the card which you had received by mail to a bell boy, and go directly to your floor-clerk who will secure your room on the authority of the card alone.

It's as simple as that. Now, you're registered at The A. B. A. Headquarters Hotel just by possession of the key to your room; and you've saved yourself all the effort and annoyance of waiting to register in the lobby.

Logical, simple, convenient. Typical of The Stevens Way.

**THE Stevens**  
CHICAGO

JOSEPH P. BINNS  
General Manager



thority in Latin and Greek, reached Washington last Winter, the State Department asked him what he most wanted to do here. The surprising answer was that Dr. Espinosa wanted most to meet a certain Hartford (Conn.) banker with whom he had for years corresponded in Latin, and for whose knowledge of the Ciceronian tongue the Ecuadorian had great respect. The desired meeting occurred soon afterward at a classical language convention in Baltimore.

#### *Personnel notes*

Nugent O'Fallon, general manager of the Federal Savings and Loan Insurance Corporation, resigned in June to assume the presidency of the Federal Home Loan Bank of New York. In July, retiring Deputy Comptroller of the Currency Eugene H. Gough terminates 30 years of service. Robert B. McCandless of South Dakota succeeds him. Mr. McCandless has been a member of the division of insolvent banks since 1932.

#### *Krippel to Boston*

FRANK W. KRIPPEL, new chief national bank examiner in the First Federal Reserve District, has a long record of bank supervisory service, starting as assistant national bank examiner in 1920, clearing-house examiner at Atlanta 1927-31, RFC official, 1932-33, and Assistant Chief National Bank Examiner since 1934.

#### *Credit union influence*

FROM A letter sent to Senator James M. Mead by the Brooklyn Postal Employees' Credit Union:

Our credit union, together with the other credit unions operating in our locality, have decidedly influenced the financial institutions in our city to open personal loan departments with low interest charges; our credit union loan rate being to a great measure the community's interest-charge barometer.

#### *Banks lack sufficient capital*

THERE IS A widespread capital deficiency among banks holding almost two-thirds of the deposits in all insured banks, FDIC Chairman Leo T. Crowley recently warned. "The assets of 13,347 insured commercial banks examined during 1940 were appraised at 99.7 per cent of their book value, only three-tenths of one per cent being set up as net deductions by examiners. The improvement in asset quality is encouraging," he said, but added:

The FDIC, however, is concerned by the continued increase in the number of banks with small capital cushions. Since 1936 the growth of deposits has caused a general low-

ering of the capital ratios of banks. Examinations of insured banks made during 1940 revealed an aggregate net sound capital amounting to 9.7 per cent of the appraised value of total assets, as compared with 10.6 in the preceding year. The further rapid increase of assets during 1940 and the first quarter of 1941 had caused a continued decline to less than 9.0 per cent on May 1 of this year. The capital ratios of banks probably average lower now than at any other time in our history. . . .

Any subsequent shift to business loans and securities, however, will leave many of the banks in a vulnerable position. As business demands increase, supervisory authorities cannot take action against a large proportion of the banks to enforce capital standards without appearing to retard business activity. Steps should be taken to improve the capital position of these marginal banks before increased business requirements further narrow their capital cushions. . . .

It is both logical and necessary, therefore, that a substantial portion of banks' earnings be retained in their capital accounts and reserves.

#### *Fast work*

THE EXPLANATION, debate and passage of the bill extending the life of the FHA, changing the provisions relating to Title I loans, and increasing the salary of the administrator did not unduly delay the House of Representatives. Four columns of the Congressional Record contain the bill and official explanation, two and a half columns Ohio Congressman Frederick C. Smith's speech in opposition, and a half inch records the bill's adoption.

#### *New priorities plan explained*

THE NEW Defense Supplies Rating Plan is designed to give specified manufacturers of "off-the-shelf" supplies a preference rating for the acquisition of scarce materials entering into defense work. Manufacturers estimate the proportion of their total production going into identifiable defense channels and then are given an A-10 rating for scarce supplies they must have.

#### *Personal finance loans*

DURING the first quarter of 1941 personal finance companies made installment loans of \$220,100,000 to consumers, a volume of 5.5 per cent above the corresponding period of 1940, the Commerce Department reports.

Repayments by consumers during the first three months of 1941 were \$219,400,000. These exceeded repayments for the same period of 1940 by 12.5 per cent. The net excess of loans over repayments was only \$700,000 in the first quarter of 1941, compared to \$13,700,000 in 1940. A substantial increase in repayments for the 1941 first quarter was also noted in industrial-banking-company consumer loan operations.



# Residential Mortgages

ARE A PART OF THE  
INVESTMENT PORTFOLIO



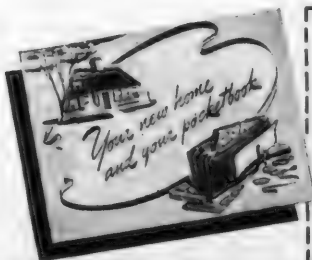
**As Long-Term Investments,  
They Should Be Examined  
As Carefully As Other  
Investment Items**

**AUTHORITIES** agree that long-term residential mortgages should be classified as investments rather than loans. Therefore, each mortgage should be completely analyzed—including careful consideration of the type of *operating equipment* in the home. For what a house costs to **LIVE IN** influences the owner's ability to pay and his willingness to pay.

G-E household products (wiring systems, heating plants, kitchen appliances, etc.) assure low operating cost, low maintenance expense, long life—hence a sounder mortgage risk. And their effect on reduced obsolescence and improved saleability in the event of foreclosure is especially important.

## IT CAN COST LESS TO LIVE BETTER

This new booklet demonstrates the effect of high-quality operating equipment on the cost of home ownership—a new approach to sounder mortgages. A free copy will be sent upon receipt of coupon.



General Electric Home Bureau, Dept. B-417  
1285 Boston Ave., Bridgeport, Conn.

Please send me a copy of **YOUR NEW HOME AND YOUR POCKETBOOK.**

Name.....

Address.....

City.....

State.....

**GENERAL  ELECTRIC**

# INSURANCE IS AWAKE TO DEFENSE

ACROSS A COUNTRY of farms and industrial sites, men in insurance support a nation-wide program of defense. They are a civilian personnel, trained during peace to wage permanent war against many hazards threatening vital property and industrial progress. Insurance, their calling, is a main-spring of defense, as vital to it as tractors to the soil, as machine tools to metal. To production it is moral solder: assurance that a nation's insurance reserve stands solidly behind the machinist, the millwright, the welder. In this way Insurance fosters teamwork and helps to speed production, thereby strengthening the implements of defense.



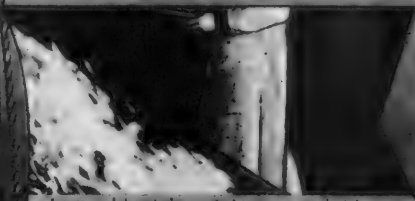
The veteran job of insurance is to reimburse loss and replace when deadly hazards cripple defense machinery.



But insurance wields another weapon—Engineering Knowledge—which eliminates many hazards before they strike.



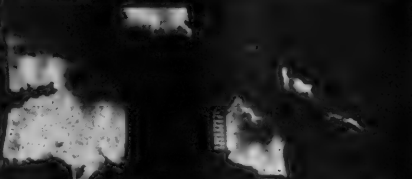
Periodic inspection of plants frequently turns up harmful conditions in time to avert disaster.



Insurance laboratories pre-test consumer products to prevent civilian danger and distress.



Insurance stiffens family morale by reducing hazard and providing compensation to workmen when injured.



Insurance reserve dollars are widely invested, and become bone and muscle to the ramparts of production.

*The* HOME INSURANCE COMPANY  
★ ★ ★ NEW YORK ★ ★ ★

*The Home, through its agents and brokers, is America's leading underwriter of American Home and the Home of American Industry.*

LIFE, AUTOMOBILE AND MARINE INSURANCE

# ★ BOOKS ★

## YOU SHOULD READ

★ A TIME-SAVING SERVICE FOR BANKING'S READERS ★

"Where is human nature so weak as in the book-store!" exclaimed Henry Ward Beecher. And echo answers "Where!"

Well, Banking isn't a book-store, but we'll be glad to send you any of the books mentioned on this page. Just send us your check for the published price and the volume you want will arrive by mail. Address: BANKING, 22 East 40th Street, New York City.

**BANK AUDITS AND EXAMINATIONS.** By *John I. Millet*. Ronald Press, New York. 556 pp. \$6.

MR. MILLET, revising a book that first appeared in 1927, aims at facilitating better examinations and greater protection to a bank between examinations. As he points out, constant control over banking operations "is really the application of 'preventive medicine' to guard against errors of omission or commission," and this volume seeks to increase the efficiency of the examiner, whether director, public accountant, or government representative. The author is a member of a Philadelphia firm of bank management analysts.

**WAGE AND HOUR MANUAL: 1941 EDITION.** Bureau of National Affairs, Washington, D. C. 1,069 pp. \$5.

REPLACING the 1940 edition, the present book contains about 500 more pages than its predecessor. It includes all available documentary material on Government regulation of wages and hours, carefully arranged, indexed and interspersed with non-technical explanations. There are also some 300 answers to questions on the law's application to specific cases, sample payroll forms, charts and other aids to an easily understandable interpretation of the statute.

**MINIMUM RETAINMENT PERIODS FOR BANK RECORDS.** Chicago Bank Auditors Conference. 22 pp. 50 cents.

THIS report of a Conference committee includes a schedule listing the minimum retainment period of more than 175 records. It is intended as a standard procedure for use in banks generally. Copies are obtainable from R. Ostengaard, Live Stock National Bank, Chicago.

**THINKING ON YOUR FEET.** By *Louis Nizer*. Liveright, New York. 301 pp. \$2.50.

MR. NIZER aptly subtitles his book "Adventures in Speaking," a characterization that suggests his unusual approach. Most of the volume is given over to short demonstrations, or samples, of introductions and speeches,

each followed by Mr. Nizer's analysis of the formula on which it is based. This is the familiar case method and seems particularly effective. There are also brief observations on structure, rhythm and preparation—all keyed to the premise that public speaking is a separate art, "a different mode of expression, a different language."

**HOW TO SELECT AND DIRECT THE OFFICE STAFF.** By *Edward A. Richards* and *Edward B. Rubin*. Harper, New York. 175 pp. \$2.50.

HERE is a "manual for everyone who hires office employees." The authors have prepared "reasonable, workable plans for so ordering the human relationships within an organization that the work will get done, leaving all parties relatively happy and well pleased with themselves." Designed primarily for the so-called average businessman, the book gives many practical suggestions on hiring typists, stenographers, secretaries and clerks, on organizing office routine, making promotions and personnel policies.

**PUBLIC POLICY.** Edited by *Carl J. Friedrich* and *Edward S. Mason*. Harvard Graduate School of Public Administration, Cambridge, Mass. 458 pp. \$4.

THIS is the school's second yearbook, comprising critical studies of public policy by public officials, Harvard faculty members and Fellows. The general theme is fiscal problems.

**BARRIERS TO WORLD TRADE.** By *Margaret S. Gordon*. Macmillan & Company. 530 pp. \$4.

MRS. GORDON's book, sponsored by the Bureau of International Research, Harvard University, traces for those interested in international trade the complicated network of trade agreements, exchange control, import quotas and monopolies as restrictive devices.

**STREAMLINED LETTERS.** By *Waldo J. Marra*. National Retail Credit Association, St. Louis. 464 pp. \$4.

THE author, who is correspondence director of Bank of America, San Francisco, and instructor of English in the Extension Division, University of California, discusses the fundamental principles that apply to all business letters and then shows how those principles can be used in writing credit, collection and adjustment letters.

**CORPORATE DIVIDENDS.** By *Donald Kehl*. The Ronald Press Company, New York. 367 pp. \$7.50.

SINCE dividend distribution involves managerial, accounting, and often legal questions of great magnitude, this author, who is a member of the New York Bar, has produced this work to assist those who make these determinations.



A typical display of  
Burroughs bank machines

# NEWS

## FOR ALL BANK DEPARTMENTS

Any Burroughs display reveals many new machines and many new developments that are real news for bankers who are studying new banking opportunities or are concerned with saving time, effort and operating costs.

Convincing evidence that these machines squarely meet today's needs is the fact that so far in 1941 banks have bought more Burroughs than in a like period of any year in the past decade.

For news of the newest Burroughs bank machines and developments, call the local Burroughs office, or write—

**BURROUGHS ADDING MACHINE COMPANY**

6614 Second Avenue, Detroit, Michigan

*Today's*  
**Burroughs**

DOES THE WORK IN LESS TIME • WITH LESS EFFORT • AT LESS COST

### Burroughs Machines That Are Now Making News

A new low-cost desk-model  
passbook posting machine... ☐

A high-speed ledger posting  
machine providing automatic  
count of items posted..... ☐

A big-capacity desk-model  
adding-subtracting machine.. ☐

A new machine for scheduling  
installment loan payments and  
due dates..... ☐

A low-cost desk-model  
machine for receipting installment  
payments..... ☐

A high-speed mortgage loan  
posting machine..... ☐

A fast, portable, low-cost proof  
machine..... ☐

Typewriter accounting machine  
for records requiring typed  
descriptions..... ☐

A low-cost machine for writing  
loan and discount and other  
related records..... ☐

Complete information on these  
and other Burroughs machines  
for banks may be obtained from  
your local Burroughs office or by  
writing direct to Detroit.



# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JULY 1941

## New Washington

ALBERT W. ATWOOD

*Mr. ATWOOD, who frequently writes for BANKING, here provides a close-up of the Washington scene.*

NEW Washington is now directing the world's most gigantic effort at production and defense. But of what does it consist? What varying groups and kinds of people make up the Government as it now is? Everyone in the country is interested in Washington today as never before, and for very good reason. The stories out of the capital are constantly raising questions as to which of the four principal groups, New Dealers, \$1-a-year-men, the Army and Navy, or the employees of the various departments and agencies, are the more powerful. There is indisputable evidence of conflict between the more radical New Dealers and the business men. And the public is not sure that the military arm is entirely satisfied with either or both of the others, or vice versa.

There is always lack of unity in a government as vast as ours, and this means the waste of a lot of time. But in an actual emergency, when time is running out, the waste is indeed deplorable.

To analyze all the frictions and conflicts, to assess each iota of blame, to master all the intangibles, to probe all the motives involved, to assess every political, economic and personal factor, and to do it all dispassionately, is a sheer impossibility.

BUT it is quite possible to sketch the subject in bold outline. First of all the defense program is so vast that there are obviously and necessarily different viewpoints not only between different groups but even within the same group. Consider the New Dealers. They are naturally the most influential and powerful because they are the President's avowed supporters, his own "family", as it were. The \$1-a-year-men, the industrialists, unless already outspoken advocates of the New Deal, and few have been such, are from the very nature of the case "outsiders".

But New Deal is a blanket term itself. It means a confusing number of things. I asked one New Deal official to define the term for me. He replied that it merely means the supporters of the President, but these are of two kinds, he added, the radicals and the moderates, or possibly the idea men and the administrators. "The New



EWING GALLOWAY

EXECUTIVE—South entrance of the White House

Deal," he said, "is wonderful on ideas but bad on administration."

Another official, whom I had always regarded as an ardent New Dealer, was much more outspoken. "I'd like to be one, and I yield to no one in my loyalty to and support of the President. But others have misled him, have pretended to speak for him, have capitalized on the relationship and preempted the term. They are welcome to it."

Bankers hear much of Jesse Jones, and rightly so, since he is probably the second most powerful man in the country. But what kind of a New Dealer is he, a moderate one, with a flair for administration? Certainly there are all kinds. When Emil Schram, Mr. Jones' chief assistant, resigned as head of the RFC to become president of the New York Stock Exchange, he was quoted in an interview as saying: "I think a lot of the New Deal reforms are very constructive but I certainly couldn't be called an all-out New Dealer."



LEGISLATIVE—the Capitol

As for the industrialists who have come to Washington to work in the far flung Office of Production Management and the War Department, they, too, are of many kinds, with obviously and necessarily differing viewpoints. When so many strong individualities are thrown together in a job which involves the swift expenditure of many billions, differences of opinion, if not actual schisms, are bound to appear.

IT WOULD be foolish to pretend that there is no fundamental cleavage between the New Dealers and the industrialists. At first the New Dealers feared the industrialists would sell the country down the river and in last Fall's election would take control of the Government away from them. With these two fears dissipated the current charge leveled against the \$1-a-year-men is their failure to expand capacity sufficiently to anticipate such shortages, actual or threatened, as those in aluminum, steel and oil tankerage. Nor is it impossible that some industrialists have had an inflated idea of their own importance, a disease which attacks many high government officials. "I've been selected; I must be somebody."

"The New Dealers and their economists have been the more accurate in predicting the size and scope of this effort," said one of them to me. "These business men are not political-minded; they don't consider all the political forces. They want to keep situations quiet; they don't realize they are in the public business or the force of public opinion. Mr. Knudsen went out to Detroit week-ends and talked over with automobile friends the use of their plants. But the Reuther plan grabbed national attention because the public didn't know what Mr. Knudsen was doing."

But the industrialists have plenty of grievances. To begin with, anyone who goes to Washington to help in defense and who was not a previous supporter of the President's domestic policies is an "outsider" and an

"industrialist" to the New Dealers. To them even President Compton of the M.I.T. is an industrialist. Nor can the industrialists ever be quite certain whether the New Deal is merely a set of more or less necessary reforms, centering about the President, or an actual social revolution.

The industrialists cannot be sure whether the New Dealers' constant demand for industrial expansion is wholly in behalf of defense or is a deliberate socialistic method of putting the Government in business permanently. The New Deal has a way of controlling its distinguished industrial helpers. They usually find that their staff has been provided for them; a staff with a New Deal ideology.

THOSE who are critical of the Administration constantly assert that the \$1-a-year-men are given no authority. This is a point of much controversy, and what the critics really mean is that President Roosevelt, in the words of William E. Wickenden, president of the Case School of Applied Science, who recently resigned as an executive in the OPM, "seems unable to delegate any major responsibility for defense planning and coordination." Even the relatively friendly columnist, Raymond Clapper, says the President "is trying to be Woodrow Wilson and Bernard M. Baruch combined."

In addition it is asserted that the Administration is not so much production-minded as it is money-spending, or commitment-to-spend-minded, just as the enactment of legislation has seemed more important to it than operating the laws themselves. The viewpoint of the "industrialists" was fairly well expressed by President Wickenden when he said that it is not easy to convert an administration most of whose "key posts are filled by men unfriendly to industry and committed to the principle that labor can do no wrong to an organization for out-producing the world. We are still trying to grow a defense head on a New Deal body and tail."

To all this the President's supporters reply that he has a wonderful sense of timing and proportion, that production will come along very heavily in a month or two, and that the President's schedule of events will justify itself, as it were, and prove better than Hitler's.

Incidentally they insist that Willkie or Dewey or Taft would have been just as much of a dictator, under the present circumstances, and that the President would not seem so much of a dictator if Congress contained more real leaders. Meanwhile where do the military forces and the old line government employees fit in?

TURNING to the military forces it is obvious that of the two the Army has necessarily had the more severe growing pains. Whether either military branch foresaw, as much as a year ago, the size and scope of the necessary effort is a highly debatable question. As one interviews representatives of industry, of the New Deal hierarchy, of the OPM, and of the military, the general impression obtained is that each group blames the others. An industrialist told me in bitter tones that his company asked the military a year ago how much of a certain essential product would be needed. Told that its ordinary production would be enough, the company is now ordered to make 60 times as much.

Be this as it may, increased authority is almost certain to gravitate to the Army and Navy as the situation grows more acute. Critics of the President say he will never give any officer the authority which Wilson gave to General Pershing. That remains to be seen. As a matter of fact, the concentration of industrial production and procurement which finally came in the World War centered as much in the General Staff, i.e. in General Goethals, by way of General Pershing, as it did in Mr. Baruch.

Socrates long ago said that a general's duty is to feed and equip his soldiers. Our War Department follows the classical French tradition of a separation of personnel and matériel (therefore the spelling) with the Secretary of War in charge of personnel and the Under Secretary in charge of matériel. Some students say this plan has about it an air of unreality. One fact only seems certain: however necessary it may be to have a large number of industrialists and Wall Street corporation lawyers (whether paid a regular salary or \$1-a-year is immaterial) in the OPM and Under-Secretary of War's office, increased authority should go to the military men, i.e., the General Staff, as time goes on.

At first glance it might seem that the old line, permanent government employees have been pushed quite into the background by the political supremacy of the New Dealers and the inevitable rise of the military and the "industrialists". But this is more seeming than real. Always, whether in peace or war, or an in-between emergency, the silent men, the career men below the top, prepare the groundwork for action and create the ingredients of policy. In some cases, new agencies have superimposed new groups of professional and research workers upon those of the older bureaus and to some extent duplicated their work.

But, in the main, the regular civil service scientific, professional and technical departmental workers remain in their posts and are consulted sooner or later in regard to countless details. Whether new inventions are wanted for the Navy, or a new kind of bond issue must be sold by the Treasury, or a new kind of NRA is shortly to be set up to speed production, there are experts in all these subjects tucked away in the departments or bureaus, or on advisory committees of college professors collaborating with them.

JUDICIAL—the Supreme Court



July 1941

KING HOLLOWAY



BERKING

METROPOLIS—There are thousands of new Washingtonians

So far as defense is concerned results are what count. Perhaps in its progress the program needs the contribution of each group, New Dealers, \$1-a-year-men, generals and admirals, at varying stages. There are good and bad in all camps. Upon close association industrialists and New Dealers do not always find horns on the other. Indeed there are said to be actual conversion among the OPM to the New Deal. Real friendships have sprung up among the diverse top men, between the great industrialist, William Knudsen, and the New Deal labor leader, Sidney Hillman, between Donald Nelson, big corporation executive, and arch New Dealer, Leon Henderson. And we find Knudsen, Hillman and McReynolds, old time government administrator, all working together.

An important business man, not connected with the defense effort, complained to me because of the kaleidoscopic effect of the struggle, if it may be called that, for power on the part of New Dealers, \$1-a-year-men and military. "I wish the situation could be stabilized," he said. Another officer of a great corporation, which manufactures for defense, complains that he must always deal with committees. No one or two persons have power to act, he says, and committees spend weeks on detail.

But it is all a matter of opinion; judgment and timing, whether the situation is ready for stabilization and whether 10,000 new bombers should be ordered by one man, or two, or 20. How far should democracy be followed in a crisis? Perhaps the best summing up was given by one of the key men in the OPM, which consists so extensively of \$1-a-year-volunteers. He said:

"The New Dealers and the \$1-a-year-men will continue to quarrel, but the latter will not be kicked out. There is respect on both sides.

"All that we definitely know is that we are going into a new economy, with precious few precedents. It is easy to criticize, but I think it is a little premature to pronounce sentence as yet. Results are what count. As for the President delegating more responsibility, we have the precedent of Baruch in the World War and Grant in the Civil War, but remember that Lincoln picked a man acceptable to no one. Possibly a similar concentration will come this time, but there had to be then and there must be now preparatory work, groundwork, before the indispensable individual could or can take over."

# The Answer Nobody Questions

PAUL F. CADMAN

*The author, Economist of the American Bankers Association, answers an article by Stephen Leacock—"The Question Nobody Answers"—in June BANKING.*

PROFESSOR LEACOCK has done us a great service by injecting some wit into the problem of the national debt. As a professional humorist he has probably had capital sport in anticipating the replies to the fanciful question which he raises. At all events he must have a sore cheek for it is certain that he did not take his tongue out of it while he was writing the 3,000 words for the June issue of *BANKING*.

The "ham and egg," the disciples of Dr. Townsend, the advocates of \$30 on Thursday, and all other distributionists will find great comfort in the Professor's thesis, largely because they will take it seriously. Taking such questions seriously is one of the characteristics of the "pensionaires" for they are rarely given to humor except at the expense of those who are regularly to provide their bounty. Another group, however, will take the Professor far more seriously; namely, those officers of the Government and their economic advisers who are desirous of ushering in a regime which will be not only social but socialistic. As regards the economics of distribution, the socialism of the spenders follows a very well known theoretical pattern.

PROFESSOR LEACOCK's question emerges in the last paragraph in a form which ties it directly to the business of defense and lease-lending, but the argument is concerned very little with either war or defense and is devoted almost exclusively to a theoretical program for social welfare. Many eyes will be able to see the bright colors which he paints in his inquiry: "So why not borrow some more money and spend it on still more planes, still more munitions, still more help towards the world's salvation? Never mind the cost. Charge it." As regards defense and lease-lending the question suggests some sound counsel. In an "all out" emergency one does not argue as to whether sand, water, or chemicals are the best form of fire extinguisher. We ought to spend, not recklessly, but with courage, and we ought to go very much farther in aiding our Allies than anything which has yet been officially proposed or decreed. If America had the vision to go to war on England's side now, the cost would be worth it no matter how fantastic the final figures might appear.

The Professor, however, is speaking to the thesis that internal, national debt in peace or war is really of no consequence. If we took his admonition "not to mind the cost" literally, we would build six- or eight-lane super-highways all over America, breaking the bottle-necks in cities by driving them through buildings, suspending them from cables, or carrying them countless miles underground. We would not only have the parks,

---

*Nothing is ever going to be free in this country, not even medicine. Somebody will have to pay. To the extent to which the Government dispenses bounty of all kinds and for all purposes, the burden on those who work and save will increase. When the rich, as a class, have been destroyed, when all endowed institutions have been reduced to bankruptcy, and when the middle class have been driven to dependence, further contribution will be forced in the form of compulsory labor. The skilled will be compelled to offer their best. The unskilled will be driven to offer the little which they have, and the whip of the super-government will be the incentive to human effort.*

---

the libraries, the "almost free schools," the "almost free medicine," the more than free art, nearly free music, but we could have free food, free clothing and free shelter.

The people of California have had to listen to similar promises from countless rostra ever since Dr. Townsend forsook the practise of medicine. Why not borrow a thousand billion dollars and build every family a 10-room house with a two-car garage, furnish it in chromium, red leather, and mohair and put one of the very latest deluxe models in each of the garages? Why not have everything free—water, light, power, recreation and health, and even religion? Why should anybody make a contribution to anything if all we have to do is charge it. And since the Professor switches rather suddenly into the realms of defense in posing his final query, why shouldn't we build a two-ocean navy with 10,000 ships in each fleet, construct an air force of 100,000 long distance bombers and mount an anti-aircraft gun on every building of more than four stories. "Never mind the cost. Charge it."

ILLUSTRATIONS from pure economic theory are dangerous, for every economic theorist thinks his theory is pure. But the picture of equilibrium between interest on the public debt, and taxes on those who hold it, is not convincing. The widow, the orphan, the aged, who have loaned their savings to the Government will hardly be amused at the prospect of returning all the income in taxation. But, says the Professor, taxation is not to fall on such classes, but on the rich and on the middle class, the "you and me".

Now, presumably the Professor is one of that very small number who enjoys an income in excess of \$2,000 a year. To a theoretical listener he may be in that "you and me" class, but in the current statistics of distribution he is rich. In a great many towns in the United States the school teacher who receives from \$1,200 to \$1,800 a year is rich, since the parents of most of her pupils may have never earned more than \$1,000. From



time to time we hear someone rejoice because the income tax now confiscates 75 per cent of income in the higher brackets, but no one takes the trouble to point out that only three people in the United States paid this maximum penalty in the year 1940.

Soaking the rich is very neatly implied in the Professor's phrase, "the rich don't even need to expect. They'll just pay." So they have, and so they will, but they are a vanishing race. They can no longer afford to retain their collections of art. They must give them to the city or auction them off at Gimbel's. They can no longer live in their estates and since there is no market for them, their one escape from the crushing burden of taxation is to tear them down, allow the gardens to go to seed, burn the docks, and fill the swimming pools with rubble. Indeed, they cannot even give them to the Department of Sanitation for a Summer home for its weary workers, for the municipality in which they are located straightway lays the tax levy on the department and the beautiful dream is shattered by the most ancient of all ogres, the tax collector.

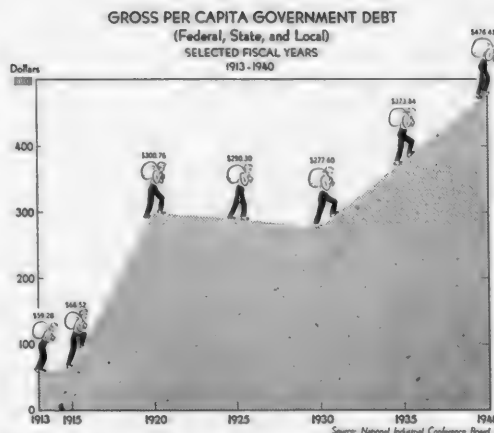
Let it be clearly understood that a society which sets out to level income by issuing debt without limit will not long have a rich class to tax. A study of the Revenue Acts for the last 10 years proves conclusively that accumulated wealth is being confiscated at a rate which clearly forecasts the time in the near future when there will no longer be any.

As regards the middle class, their particular estate is life insurance, the funds of which are invested in American enterprise which in turn is now so heavily taxed that the custodians of life insurance funds are hard put to find a place for the money which they receive as premiums. Under the Professor's thesis this is very simple. All that the life insurance companies have to do is to lend their funds to the Government, who in turn will build roads and provide free medicine, free music, and all the enumerated benefits. But, unfortunately the life insurance companies have to pay large benefits, meet annuities, and similar obligations. Unfortunately, also, they have a certain cost of doing business, all of which necessitates their receiving an income on their investments. But this is simple, says the Professor, for

---

*Furthermore, a rising standard of living which is so greatly desired implies an expanding and developing economy, and although the doctrine of the mature economy postulates that the age of economic expansion is past, the low standard of living of millions of people is evidence enough to the contrary. That standard of living will not be bettered by borrowing and distributing bounty. The question to which the Professor really addressed himself is, "What are the limits of debt, if any?" and the answer is quite other than the one which he suggests. If we are going to substitute socialism for democracy the state can then be the producer as well as the banker. It will never have to pay itself interest and it will enjoy all the profits, but its citizens will have to do as they are told and they will have to take what they are given. If this be freedom, then all Anglo-Saxon traditions are myths.*

---



Between 1913 and 1940—27 years—the American public debt (Federal, state and local) increased eight fold—from \$5,721,000,000 in 1913, to \$62,862,000,000 in 1940. The President's January budget message to Congress estimated the Federal deficit for the fiscal year 1941 at \$6,289,440,970. The gross Federal deficit for the fiscal year 1942 is variously estimated at from \$12,867,000,000 to \$30,000,000,000

the Government can pay interest on a debt vastly larger than anything now contemplated and, therefore, life insurance companies have nothing to fear. Nothing but taxes; nothing but a low interest rate, which the Professor recommends; nothing but the rising cost of the bureaucracy which is necessary to administer a benevolent Government.

But the rich and middle class count for only a portion of the accumulated wealth in America. A very large segment of it is found in the institutions which have been endowed by the provident: universities, colleges, schools, orphanages, old people's homes, hospitals, and libraries, symphony orchestras, and an almost countless number of scholarships. Does the falling interest rate mean nothing to such institutions? But, "It is all right," says the Professor, in lusty voice. "The state will take over all of these institutions and continue their support through the instrumentality of borrowing and by the supertaxation which has begun to be applied. Let no one fear anything, not even the rich. They are doomed anyway. Social security will supplant insurance and the benevolent state will run all the institutions. Never mind. Charge it."

A PAINFUL contact with reality is now being made. A Government engaged in spending a billion dollars a month has discovered that even though it take practically all from the rich, it will not have nearly enough, and even though it take half from the middle class, it will still not have enough. It is, therefore, obliged to turn to the great mass of individuals in America who earn \$2,000 a year or less. There is the statistical quantity which will supply the bulk of the funds which are to be raised through taxation. There, also, is the mass of buying power for Defense Saving Bonds and Stamps. There is the group that is now receiving, or will presently enjoy, the good wages from Government spending. But they are not to be allowed to enjoy those wages to the

(CONTINUED ON PAGE 66)

# Broad and Wall

EDWARD H. COLLINS

*The author, associate financial editor of the New York Herald Tribune, contributed "Defense and the Interest Cycle" to March BANKING.*

So far as the country as a whole is concerned, the evidence is already conclusive that in the absence of some now totally unforeseeable turn of events, 1941 is destined to be the most prosperous year in its history. On the basis of figures covering the first four months indications are that the national income will reach 80 billions and may go as high as 85 billions, thus definitely surpassing the previous record year, 1929, when 78.6 billions were paid out in wages and salaries, interest and dividends. When allowance is made for changes in population and in the cost of living the margin in favor of 1941 is even more decisive.

No less remarkable than the over-all picture is that by major economic groups. In the case of industry, first quarter profits of some 400 leading companies this year were the best since the corresponding quarter in 1929 and exceeded those of prosperous 1937 by approximately 10 per cent. This was achieved, moreover, after payment of the highest corporate taxes in the nation's history.

So far as the wage earner is concerned conditions are also unprecedented. Since the beginning of the European war employment has increased by 20 per cent, payrolls by 40 per cent. Comparing the situation with 1929 we find that hourly factory wage rates are 30 per cent higher than they were in that boom year and that—despite a reduction in working hours of 18 per cent—weekly wages are up by nearly 10 per cent. When allowance is made for differences in living costs it comes down to this—that the worker's real weekly wages today are 25 per cent higher than they were in the year popularly regarded hitherto as the most prosperous on record.

To complete this happy picture, there is the case of agriculture. The war, it is true, has curtailed exports of farm products in some directions, but with no serious consequence. Thanks to a combination of offsetting factors, farm income has expanded at a rate at least comparable with that of the economy as a whole.

To say that Wall Street—traditional "barometer of business"—does not accurately reflect this extraordi-

nary state of current business and agricultural activity would be a woeful understatement. Not only has the speculative community had no share in the rearmament prosperity, but it presents a truly amazing picture of famine in the midst of plenty.

Up to June 1 of this year 53,200,000 shares had changed hands on the floor of the New York Stock Exchange. This figure, which represents a daily average of 430,000 shares, is barely 48 per cent of the total for the corresponding five months period last year. When it is noted that 1940, with a turnover of only 207,000,000 shares, was the smallest year, with a single exception, since 1918, the depth of the Wall Street 1941 depression begins to be apparent.

BUT even this is not the complete picture. To get that one must take into consideration also the fact that the number of shares listed for trading on the Stock Exchange has increased five-fold since 1918. The table below depicts the progressive deterioration in market activity since the bull market of 1936:

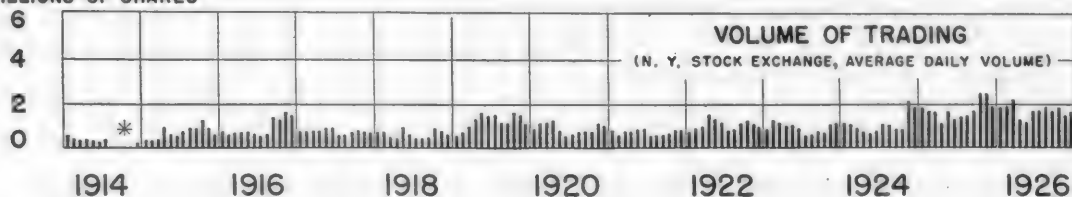
		Per cent Decline	Rate of Turnover
1936	496,046,000	....	.376
1937	409,464,000	17.5	.300
1938	297,466,000	27.4	.210
1939	262,029,000	11.9	.183
1940	207,600,000	20.8	.145
1941	100,000,000 (Est.)	52.	.068

These figures tell the story of the 1939-1941 depression in Wall Street pretty comprehensively; but just by way of emphasis, let us look at one or two others.

1. Stock Exchange seats: Several memberships on the Stock Exchange have changed hands this year at \$20,000, a figure to which they had not previously fallen since 1898. In the interval, memberships have sold as high as \$625,000, and at \$550,000 "ex" the dividend in memberships that was declared that year.

2. Stock ratios: (a) In relation to earnings, stocks can be bought as cheaply as they could in 1932, at the bottom of the Great Depression. The ratio of prices to earnings is now about  $7\frac{1}{2}$  to one. During the boom year 1929 the ratio reached 21 to one, and in 1933, 22 to one. During the years 1935-1937 it ranged around 15 to one;

MILLIONS OF SHARES



Board of Governors of the Federal Reserve System

(b) stock prices stand about 10 per cent below the average prevailing during the base period 1935-1939, despite the fact that the Federal Reserve index of production has risen nearly 50 per cent since then and is still climbing.

3. Real estate values: The effect of the collapse of speculation on real estate values in the financial district can be seen in the case of the turnover by the Stock Exchange itself of a building purchased in 1933 to take care of possible expansion (1) in business. It (the Lee-Higginson building) cost the Exchange \$2,200,000. Put on the market this year, it brought exactly \$400,000.

A careful canvass of informed opinion in the financial district reveals several major factors which have contributed in varying degrees to this situation. They may be set down as follows: (1) Recollections of the collapse of 1929-1932; (2) the weakening of the profit motive in the American economy; (3) taxes; (4) the increased importance of investment trusts and the comparatively new element provided by investment counsel; (5) the war; (6) government regulation; and (7) the speculative cycle.

LET us consider them briefly in order:

1. There is no question that the memory of the Great Depression is too fresh in men's minds for comfort. Many persons who might otherwise have participated in the market in the last five years have been deterred from doing so by recollections of the speculative debacle of that period which shook the nation's economy to its foundations. It also shook to its foundations the then currently popular thesis of the superiority of stocks over bonds as long-term investments.

2. Putting one's finger on the elements which have entered into the weakening of the profit motive is not easy. This point may be said, in a sense, to include the next point, namely, "taxes". But speaking generally, it refers to the modifications of the American economic system and the changed fiscal and social policies which, for better or for worse, have emerged during the last eight years.

3. The relationship between taxes and the decline of speculative activity has undoubtedly been of ranking importance. Total revenues of all manufacturing corporations in 1940 were 64.3 billions, an increase of 3 per cent over the year 1937. But net profits were actually lower by 16 per cent. The chief cause of this decline was higher taxes, which in the interval climbed from \$2.1 billions to \$3 billions.

But that is by no means all. As the defense effort expands corporate taxes can be expected to rise to the point where profits very largely disappear. Two revenue laws were enacted in 1940, each calling for a higher

scale of corporate taxes, and another is in preparation which will bring in about \$1,000,000,000 additional.

An even greater element in putting the quietus on speculation is the capital gains tax. An intelligent speculator will not be right more than six times out of 10. This is too small a working margin to enable him to speculate successfully if he has to give up a large share of his profits to the Government in the form of taxes. Some stock market experts, pointing out that this tax falls on the men who once comprised the backbone of the markets, go so far as to rate this as the number one obstacle to speculation.

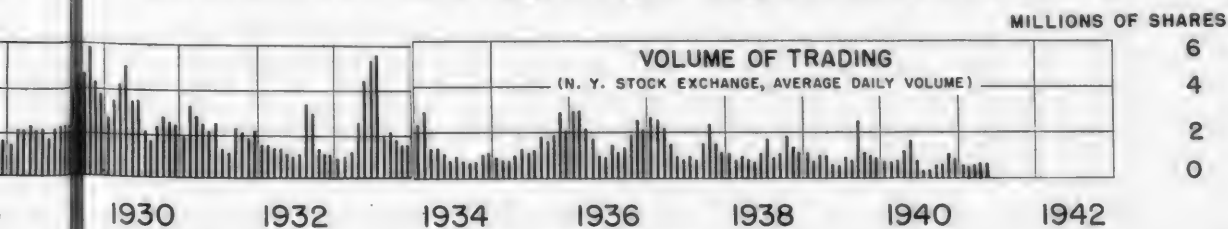
4. The activities of the investment trusts and investment counsel have changed the nature of the markets in some degree and have routed purchases in a good many cases around the Exchange's auction market.

5. When we come to the war we come, obviously, to the overwhelmingly most important single cause of the present paralysis of the markets. All wars make prediction very far in advance extremely difficult, and unless one can see ahead there exists no basis for intelligent speculation. But as against previous wars this one is unique in the speed with which events unfold and in the implications which it holds for the future. And until we know where the war will end and who the victor will be no one can do more than guess what lies in store for the very social and economic system under which we now exist.

BEFORE the war Europe was a buyer on balance of American securities. Not only has that source of purchasing power been cut off now, but since February of last year the British Government has been using the New York stock market as a place in which to liquidate the dollar securities of its nationals to raise foreign exchange. This liquidation has been judiciously carried out, much of it off the floor of the Exchange proper, but knowledge that this very large amount of securities was hanging over the market has undoubtedly been a depressant.

6. Because it is human to seek a personal devil for every misfortune, the most articulate people in the financial district are those who lay the present depression to "over-regulation" at the hands of the Government. There is a good deal of substance to their charges, though probably not nearly as much as they are inclined to believe.

Wall Street regulation since the early thirties falls into six groups of rules, distributed over a period of seven years and calculated to affect various elements in the speculative community. By all odds the most important two groups are those represented in the Securities Exchange Act by titles 9-a-2 and 16-a and 16-b.



Board of Governors of the Federal Reserve System



A scene at Broad and Wall Streets at the time of the market crash in 1929. The Exchange in center (with Corinthian columns)

Section 9-a-2 is the section which forbids the making of artificial markets for the purpose of attracting speculators. This hits at the manipulator of stocks. It is thoroughly beneficent and undoubtedly here to stay. It will be readily admitted, probably, that it has had the effect of eliminating a pretty large, undesirable, segment of the market.

Sections 16-a and 16-b are aimed at the so-called "insider" who took advantage of his knowledge of a corporation's plans and policies to speculate to his personal advantage, and sometimes even to manipulate corporate policies for market purposes. Wall Street probably feels more strongly about this section of the Act than any other, since much of the intelligent leadership, as well as the volume, in the market was formerly attributed to such persons.

Next in importance are the rules which have tended to discourage professional trading. These would include the tightening up of the regulations governing short-selling and the so-called "daylight trading" regulations.

**BEFORE** Federal regulation came along the Stock Exchange itself had acted, in 1931, to prevent market demoralization, by ruling short sales might not be executed at a price below that last reported on a regular way sale. In January 1938, effective February 8, the SEC ruled that no such sale could be made thereafter at a price at or below that of the previous sale.

The "daylight trading" rules were passed by the Stock Exchange under pressure from the SEC in March 1937. The effect of these rules was to apply stiffer rules to the operations of the professional than to the ordinary customer, and undoubtedly, along with the tightening of the short-selling rules, it has accelerated the general tendency of these regulations to dry up volume.

There have been two other groups of regulations, neither of which ranks in importance with the above. One of these was the introduction of stiffer margin requirements, aimed at the shoe-string speculator.

The last definitive group of regulatory measures was the batch of rules passed after the Whitney incident in 1938. These consisted in demands for higher capital requirements from members and much greater publicity concerning their finances.

7. Finally, among the explanations of the market's stagnation is the theory that we are at the end of a cycle in speculation.

Now for a word about proposed remedies.

There is the school of thought—not regarded by this writer as important enough to mention above—which thinks that what is most urgently needed is to restore the "good name" of the Stock Exchange, "blackened" by the events of 1938 and before.

Those who feel that the troubles of the Exchange stem from over-regulation naturally turn to revision of the Securities Exchange Act for relief. Their views are largely reflected in the recommendations prepared for submission to Congress by Representative Wadsworth of New York. The latter would modify section "9-a-2" to permit "good manipulation" (that is, stabilization operations) while continuing to bar manipulation of the more pernicious type; he would also kill section 16-b, which provides for rescission action against insiders who make profits in the market.

There is another group of proposals which embraces such "panaceas" as increasing (or decreasing) commission rates, "writing down the capital" of the Exchange by buying up two or three hundred seats and retiring them, and lengthening trading hours. These are matters of policy which will be taken up ultimately, but all of them face serious practical objections. When the change in organization has been accomplished most of the standing committees of the Exchange will have been abolished, and the board of governors will be strictly a policy-making body functioning under its new paid president, Emil Schram.

**ONE** source of relief to the stock market in recent months has been the emergence of sales of blocks of shares after the close of regular trading on the floor. This had its beginning in the British liquidation activities. Such distributions have proved profitable because, instead of the usual commission, dealers have received commissions of one to one and a half points to cover underwriting and selling. This phenomenon has given rise to a good deal of discussion as to whether it might not be possible to build up a system of secondary distribution of this sort on a permanent basis.

Perhaps the greatest hope of the Exchange at the moment lies in the change in administrative organization now in process. That hope is the greater because an outsider is coming in as president, who might be counted upon to bring together the numerous factions with their varying interests. The situation with respect to the Stock Exchange is, in microcosm, not unlike that of the United States in its defense effort. The chances that Hitler will invade the United States are extremely remote. But the experience of Europe urges that we prepare against even that extreme contingency. Similarly, the notion that the problem of the Exchange is permanent is not thoroughly unconvincing. On an "ex-war" basis the market probably would be enormously active today, and the war—or at least the uncertain phase of it—is not going to last forever. For 150 years people have been buying and selling stocks on the New York Stock Exchange because it was, and is, the best market in the United States.





# When Is 6% Not 6%?

WILLIAM TRUFANT FOSTER

Mr. FOSTER, director of the Pollak Foundation for Economic Research and author on a variety of subjects, including economics, contributed "Clearly State the Rate" in the February issue of *BANKING*. "6% Is Not 11.7%" by R. B. STEWART, president, Miami Deposit Bank, Yellow Springs, Ohio, appeared in April *BANKING* and was in answer to Mr. FOSTER.

I MENTIONED in February *BANKING* that a borrower who pays 6 per cent, discount, on a loan repayable in 12 equal instalments, pays 11.7 per cent on an annual basis, yet usually is not aware of that fact. If, instead of quoting "6 per cent," a lender says, "We charge only \$6 for a loan of \$100," to many borrowers the statement is equally misleading. If the \$6 is charged in advance, and the loan is paid in equal instalments for 12 months, the lender charges \$6, not for a loan of \$100 but for a loan of \$94 for the first month, and an average of \$46 for the life of the loan. Yet the borrower, as a rule, thinks he is paying only 6 per cent a year on the money of which he has the use.

R. B. Stewart, in the April issue of *BANKING*, objects to this statement. "The whole issue," he says, "must be decided on the basis of the use to which the payments are put." For several thousand years interest charges have been considered a function of time, rate and amount—nothing else. Mr. Stewart now introduces a new factor. If, he says, a bank does not use the monthly payments made by the borrower, the bank, in computing the interest charges, should allow no credit for the payments. "In the case of the finance companies," he says, "it is quite different." Since they can use the payments on the loans, they "therefore must rightfully consider this in figuring the actual rate charged." But not the banks. According to this arithmetic, the rate which the borrower actually pays is not the true rate: to find the true rate, we must know what the lender does with the payments made by the borrower and how profitable the business is to the lender. Certainly this is a new principle of arithmetic. If we adopt that, we must scrap all our textbooks.

AFTER all, does not this new arithmetic reveal the habit of some bankers to think of loans in terms of profit to the banks rather than costs to the borrower? And would not the prospects of private banking be improved if bankers habitually took the borrower's point of view?

"Some banks," says Mr. Stewart, "make the very evident error of accepting payments and voluntarily giving the borrower immediate credit on his principal." This "error," we may note in passing, is made by every one of the 9,000 credit unions in the United States every time a payment is received, as well as by every one of the 4,000 offices of licensed personal finance companies.

---

*Intelligent borrowers and buyers of goods on time want an easy means of comparing the rates charged by the numerous competitors for their money. Only with such an aid can they readily shop around for credit. And the method of simple interest, on a true monthly basis, which all consumers learned in elementary school, is the only method which well serves this purpose.*

---

The "error," however, is not voluntary: it is required by law. Mr. Stewart's bank does no such thing: even when a borrower from his bank is required to make monthly payments, and is penalized if he does not make them, they are not really payments on the loan, because the bank does not consider them to be payments.

At a hearing before a committee of the legislature of Massachusetts some instalment sellers and some sales finance companies insisted that to state the carrying charges as a per cent, per month, on the actual, unpaid balance, would curtail sales to such an extent as to cause a business depression. If we stated the true rates, they said, we just would not get the business. This argument is easy to understand; but it is not easy to understand what bearing it has on the question whether an advertised 6 per cent is in reality 11.7 per cent.

MR. STEWART'S next argument belongs in the same class. He objects to calling the rate 11.7 per cent because "people are used to doing business at 6 per cent." This is a form of argument which the Federal Trade Commission has heard for many years. "We do not call this rayon, because people are used to calling it silk."

The Federal Trade Commission, in dealing with automobile finance companies, ignored the fact that "people are used to doing business at 6 per cent." It ordered the finance companies to cease and desist from advertising a "6 per cent plan" which involved, in fact, a true charge of 11.7 per cent, per annum, on unpaid balances. The United States Circuit Court of Appeals, not content with affirming the order of the Commission, took occasion to explain at length why the advertised "6 per cent" misleads the rank and file of consumers. Then the United States Supreme Court, taking into account the opinion of the Court of Appeals, refused to review the case.

More than a generation ago some of our state legislatures took precisely this position regarding the advertised rates of personal finance companies. A majority of the states now require these companies to state their total charges as a rate, per month, on the unpaid balance. If they fail to do so, they cannot collect, legally, either the principal or the interest. The fact that both the borrowers and the lenders would like to have the rates seem lower than they are, is not accepted by the courts as an excuse for violating the law.

# New Homebuilding Techniques

MILES L. COLEAN

*The author—research director of the Housing Survey of The Twentieth Century Fund—contributed "Housing Faces Big Changes" to the June issue of BANKING. Another article by Mr. Colean will appear in August.*

NEW features of the Century of Progress Exposition at Chicago in 1933 attracted more attention than the small group of eye-catching structures that composed the housing exhibit. Some of these houses were severely box-like; one had eight sides, most had flat roofs. Steel frames, enameled steel cover plates, asbestos-cement sheets, wall board as a finish material, and walls of plate glass startled and interested the visitor whose notion of a house had never gone beyond a wood frame or a brick structure with a pitched roof, shutters at the windows, and possibly a vine over the door.

There was much talk of a new era in housebuilding. New words "prefabrication" and "industrialization" came into the housing jargon. The wastes and efficiencies of conventional methods were thoroughly, if not always dispassionately, examined; and featuring one of the houses shown at the New York World's Fair, *Fortune* magazine proclaimed "Industry's Answer." But in spite of the fanfare, houses continued to be built in the old way. The specific offerings of the Fair provided builders with nothing that could simplify their processes or cut their costs. Actually they were, most of them, old methods disguised in new shapes and new materials. Only one had ventured into a relatively new structural system—the panel-type frame.

THOUGH no revolution was produced, the seeds of one were planted. Interest in houses was revived when housebuilding was at its lowest ebb. The contrast between housebuilding and other more efficient, more mechanized industries was brought home, and the wastes of the ordinary methods revealed. The conviction that costs might be lowered if more of the house could be built in the shop did not die.

So-called "prefabricated" houses continued to be designed, and occasionally some were built. By 1937, the Federal Housing Administration was able to list 36 organizations that had structural systems differing in character from the customary methods of masonry or wood or light steel frame construction. Some of these, the old "ready-cut" houses or "knock-down" types had been on the market some years before. Among the newer methods, steel predominated. Even here some were but alternatives for the continuous wood frame of common usage, and introduced no new structural principle.

But a few of the developers sought for a large structural unit that could be shop-produced, leaving for site erection only the assembly of these prebuilt sections. This resulted in the design of panels, usually about four

---

*The mortgage lender need no longer look upon these developments as merely experimental. A considerable number of systems are on the market backed by painstaking research both in industry and in the Government, thoroughly tested by the National Bureau of Standards, and accepted by the FHA as structurally eligible for 20- and 25-year mortgages. The promise of cost reduction, while not as spectacular as claimed by the early advocates, is sufficiently substantial to offer some advantage in the average market. The far greater precision of construction under shop conditions than is possible at the site promises sounder, as well as lower-priced, houses. These factors warrant serious mortgagee consideration of the newer methods at a time that may well be an important turning point in housebuilding history.*

---

feet by eight feet in size to form wall and partition sections. These panels, composed of light steel members were in effect rectangular trusses. Built solid, or with doors or windows, when stood erect and joined together, then made a strong and serviceable construction. The panels were covered with various materials: sheet steel, wall board, or sheets of asbestos cement. In exterior appearance most of these models departed as drastically from the conventional mold as in their structural method.

A second method of steel panel or sectional construction took its inspiration from the sectional office partitions which had been in use for some years previously, a method using isolated supports, with steel sheets, or sheets of other materials, filling the spaces between the supports. A third general method used the steel sheet by bending and shaping its edges so as to form at once both support and filler.

CONCRETE, too, was popular with the early experimenters. Some systems used large precast slabs. Others were poured at the site, with special standardized forms. But most of these did not advance much further than the Edison and Forest Hills experiments of the World War days and after. All in all progress was slow. The concrete methods were cumbersome to handle. The steel panel systems had difficulties both in finding suitable covering materials and in devising satisfactory joints. Both showed higher costs for the equivalent space produced with customary methods. Perplexing production and distribution problems plagued the proponents of the new houses. And, as if this were not discouraging enough, buyers and lenders both shied away from what appeared unproven experiments and

unappealing designs. Prefabrication was off to a bad start.

At Madison, Wisconsin, the Department of Agriculture, in conjunction with the state university maintains an elaborate laboratory for the developing and testing of timber products and methods. Here during the years of the early prefabricating efforts, studies of a new structural method were being quietly conducted.

The engineers of the Forest Products Laboratory had an idea that the *stressed covering* principle that had been developed in airplane construction might be applied to the advantage of strength, lightness, and simplicity in dwelling design. They also sought, not a standardized house, but a new set of structural units that could be made in a factory and then quickly and without waste, assembled at the site. In developing this idea they utilized one of the oldest and commonest housebuilding materials—wood, in one of its newest forms—plywood sheets.

THE basic element of the structural system that was worked out was a panel, four feet wide and approximately two inches thick for walls and six inches thick for floors and ceilings, eight feet long for walls and up to 14 feet long for floors and ceilings. That savings in material were inherent in the system may be seen at once from the thicknesses used as contrasted with the wall thickness (frame construction) of five or six inches and the floor thickness of from 10 to 12 inches.

The panels were composed of an inner framework of wood to both sides of which plywood sheets were glued. The resulting form acted structurally as a box girder, each part contributing to the strength of the whole, the cover as well as the frame performing structural service. This is what is meant by stressed covering. In the opinion of the Laboratory:

Contrasted with ordinary frame construction, stressed covering opens up a new range of strength and rigidity values with a minimum of material. In the usual floor, for example, subfloor and floor are nailed to relatively deep joists. While the subfloor when laid diagonally stiffens the building to some extent, it contributes little to the strength of the underlying framework. Similarly, ceilings hung on floor joists are additional dead weight.

In the Laboratory's panel, stressed covering incorporates into a single unit joists, subfloor, and ceiling. Weight upon the floor

is distributed through the joists to the plywood faces, so that the joists support only about one-fourth of the load. This unity of action is due to the complete and continuous rigid joint formed by the glue between plywood faces and joists. Such a joint cannot be produced by nailing.

Early in 1935 a demonstration house was built at the laboratory, embodying the principles. Then followed more than two years of testing, checking, and further experiment with various features of the system: framing members, plywood thicknesses and finishes, glues, insulation, vapor barriers, panel connectors, and so on. In 1937 a second demonstration house, which incorporated the results of this additional study, was produced.

The effect of these experiments was to divert the emphasis in industry from other materials back to wood. For here was a system that not only permitted a great amount of the building process to be conducted under shop conditions, but that could be adapted without expensive equipment, or the necessity for huge markets, to the operations of many existing building organizations. In the Summer of 1935 Federal Housing Administration issued its first rulings involving the stressed covering principle to two manufacturers who have since been in continuous production. The promotion of the idea by the trade association of the West Coast plywood manufacturers has been an important factor in spreading its utilization. In addition, since the stressed covering principle could be applied to certain types of wall board as well as to plywood, another promotional source was created.

IN practice, the variations of the Laboratory's methods are almost as numerous as the individual adopters. Some use the system almost intact as developed, often with modifications in the methods of connecting the panels in the final assembly. Others, to provide a more conventional appearance and to insure against possible deterioration of the exposed plywood, cover the outer surface with conventional siding or shingles. In some cases these outer surfacings are applied in the shop, in other cases in the field. Some adopt the principle only for the walls. Some include floors, ceilings, and, less

(CONTINUED ON PAGE 64)

At the left, below, is the exterior of a "Gunnison" prefabricated house.  
Right, living room of an American Houses, Inc., prefabricated unit



July 1941



COURTESY AMERICAN HOUSES, INC.

# A Bank Director's Local Contacts

MILTON WRIGHT

*"Many circumstances can lower a borrower's credit worth, but there are few that an alert director who knows his community cannot visualize in advance."*

In this ninth article of his series Mr. WRIGHT points out that even the most carefully made loan needs to be watched.

**I**N 20 years of bank supervision I have never known of a man who borrowed money with the deliberate intention of defrauding the bank," says the board chairman of a small but highly profitable institution in the South. "When any borrower gets a loan, he has every intention of repaying. He may be over-optimistic, he may be taking a long chance, he may shut his eyes to important facts, but his intentions are good. It is circumstances which he is unable to control that place him in default."

Leaving out of consideration the relatively small number of professional criminals, there is considerable truth in the observation. The applicant for a loan is not motivated by a desire to swindle the bank. He asks for the use of depositors' money because he lacks sufficient money of his own. He expects, as confidently as does the bank, that he will be in funds when the time for repayment arrives. If something happens that prevents his making the profit he hoped to make, nobody regrets the fact more than he.

This thing that happens, this circumstance that places him in an unfortunate position, is something that usually can be foreseen. Sometimes it could have been foreseen when the loan was applied for; sometimes it can be seen developing while the loan is outstanding. In both cases the directors have a responsibility to acquaint themselves with the facts so that steps to protect the bank's interests can be taken while there is yet time.

The loan supervision function of a director does not end with the decision upon a loan application. It continues as long as the loan is in force.

**T**HE closest scrutiny, of course, should be made at the time of the application, and if the appraisal is an accurate one, the supervision thereafter can be to some extent, although not entirely, routine. Machinery of some kind must be set up to call the loan to the directors' attention from time to time, so that they can note any circumstances which may change its status.

The first steps to insure continuing supervision must be taken when the application is granted. Every factor that has had a bearing on the granting of the loan should be reduced to writing and preserved as a permanent record. Not only should this include the borrower's financial statement but all the facts which tend to show just how the borrower is going to be able to meet his payments.



T. F. HEALY

BANK DIRECTING—1857

"Come, gentlemen, don't wander too far from the subject before the Board. The question is whether Thrush's note is good enough to be discounted"

The best practice is to have this information kept in a central file. As the borrower's relations with the bank continue, the file should be brought up to date by the inclusion of additional information. The next annual statement, for example, may reveal a hazardous tendency.

**I**N some banks, the directors require that the officers furnish them at regular intervals with a full classification of the note case. The loan committee, or a subcommittee on examinations, reviews the full list, establishes the worth of the notes, points out slow and doubtful paper, and recommends action. It is a task that the directors' committee cannot pass on to someone else.

Sometimes directors are inclined to depend upon state or national bank examiners to pass accurately upon the status of loans. It should be pointed out, however, that the examiner knows nothing about the borrower except what appears on the record, nothing about the note and its security except what appears on its face. With nearly every substantial borrower in the bank, however, some director is or should be acquainted, and is probably in a position to know something about his business and his circumstances.

The full board usually hears about loans only when it holds its regular meeting. At this time it is informed of all loans made during the month. The loan committee meets more frequently, at least once a week, when it takes up not only applications for loans and credit, but all loans maturing before the next regular meeting. These



approaching maturities should be inspected and considered carefully. Specific instructions should be given to the bank's officers as to each item—whether it should be paid, additional security demanded, reduced, or renewed for its present amount.

All overdue paper should be inspected at every meeting of the committee and reasons for its non-payment should be explained. On this subject a state banking commissioner says:

Overdue paper is a matter that calls for the constant attention of the officers and, therefore, of the examining directors. When it becomes apparent that a borrower's paper must be renewed again and again, it is a good policy to require him to go on an instalment basis with periodic payments according to his ability to pay. You might well adopt it as a rule that any loan which is renewed twice without reduction should be considered unsatisfactory. You have there an indication of a frozen condition, and you should take steps promptly. There should be a constant flux, through additions and reductions, of the whole note case.

Many circumstances can lower a borrower's credit worth, but there are few that an alert director who knows his community cannot visualize in advance. At a seaside resort, for example, a bathing establishment proprietor a few years ago had a plant valued at \$4,000,000, upon which he made an annual profit of approximately \$40,000. He was living up to his income and had no assets other than his business, which had been growing steadily for several years. He was a perpetual borrower at the bank, but had always managed to meet his notes satisfactorily. On paper he was a good risk.

The state, however, had been making plans for the development of an adjoining beach at a cost of several million dollars. With a place that was more attractive and cheaper, it was a foregone conclusion that bathers would cease to flock to the old privately-owned resort. A director who saw what would happen insisted that the borrower's loans be cut down sharply. Nothing could be done to stave off the loss of the man's business and eventually he failed. Fortunately, the bank was not one of his unsatisfied creditors.

**T**HE wise board insists that its management require strict compliance with loan terms. To refuse to countenance defaults is not hard-hearted, but only hard-headed. More often than not, you are not helping a borrower by allowing him to remain in debt while his difficulties pile up higher about him.

What practice to adopt toward borrowers, of any amount, who fail to pay their notes when they are due is a question that different boards answer in different ways. The chairman of the board of one of the most successful country banks in the East explains one attitude this way:

"As we see it, it is a borrower's responsibility to pay his obligation when it is due, not a responsibility of the bank. It is likewise his responsibility to know when the time of payment arrives. We feel that a man who waits to be reminded by the bank that a payment is expected on a certain date takes his obligation more lightly than the man who depends upon his memory or his records.

"We never send a notice that a note is due. When the

## A Weather Eye

Especially under present conditions is it important that directors keep a weather eye on business prospects in the community. To some extent (but not entirely) trouble can be averted by having every loan on an amortization basis. The eventual slowing of the tempo of production and sales will have a widespread effect on the credit responsibility of borrowers generally. It is good patriotism and good business to lend generously when the whole country is girding for national defense, but even the most carefully made loans need to be watched.

date of maturity arrives and the note payment has not been made, we promptly add a flat penalty for the default, plus an additional penalty for every day the default persists. The result is that probably no bank in the state has a lower percentage of overdue paper than we. What is equally important, our strict collection policy has had no apparent repercussions; in no case that we know of has it incurred permanent ill will. The public knows about it and looks upon it as a regular business-like way of doing things."

Other banks have had trouble in being so strict. As a result they have adopted a rule providing for penalties, but they waive it in cases where the borrower's record otherwise is satisfactory. A board member of one such bank explains:

"Although we have a rule which provides for penalties for late instalment payments, we have found it good policy not to impose it in every case.

"About five days before a final payment comes due a reminder is sent. If the borrower has made his instalment payments regularly, the reminder is a gentle one; if he has been late consistently, he is told that unless the final payment is made on the maturity date, the note will be protested. That the results of such a policy are satisfactory is attested by the fact that we have not had to protest a single note for the past year."

Through close collaboration with the management, directors often may obtain early clues to trouble toward which a borrower is headed.

**T**HE lending officials of any bank, through activities supervised, and in some cases initiated, by the directors, can make or break many a business concern. By working against the borrower, they often can throw him into bankruptcy; by working with him, they can save him. To be helpful, however, they must have not only the right desire, but they must understand how borrowers do business and how they make their profits. If to their desire and their understanding they add a systematic alertness to safeguard the loans they have made, they are a constructive force with few equals in the community and the nation.

*Next month's article discusses directors and trust companies.*

# Buying DS Bonds Out of Wages

**T**HAT patriotism is not limited to any one group or profession in the United States is attested by the quick response of employers and employees alike to purchase Defense Savings Bonds and Stamps to help defray the cost of national defense.

Early purchases of the Defense Bonds were made primarily through the banks of the country, which, according to a Treasury spokesman, are "the first line of attack in the whole program . . . setting the pace for the whole plan" . . .; post offices, and salary allotment plans adopted by many business concerns, including banks, utilities, manufacturers, railroads, insurance companies, merchants, brokerage houses, etc.

Labor organizations, including the AF of L, the CIO, and the railroad brotherhoods, have endorsed the employee salary allotment purchase plan. In fact, labor organizations, as well as other associations of a national character, and business concerns, are investing their surplus funds in the Defense Bonds.

Although the United States Treasury Department is not sponsoring any particular payroll deduction plan, this method of selling bonds to wage earners generally has its blessing. A Treasury staff of experts, headed by Jonas S. Touchstone, is cooperating with and advising those wishing to institute such a plan. The Federal Reserve banks, also, are assisting in this movement.

**T**HE Treasury Department has set the pace for employee Defense Bond purchase by distributing to its workers a pledge to invest a specified amount at each payroll period in this type of saving. It is anticipated that this same opportunity to share in national defense financing will be given to other government workers.

An examination of the salary allotment plans adopted by several concerns—Jonas S. Touchstone Agency, Chicago; American Telephone and Telegraph Company, New York; United States Rubber Company, New York; Board of Governors of the Federal Reserve System; Riggs National Bank, Washington; General Electric Company, Schenectady; The New York Trust Company, New York—reveals that the broad outlines of the salary allotment plans thus far adopted by these concerns for the purchase of Defense Savings Bonds and Stamps follow one general pattern, with minor variations. (Many banks and nationally-known concerns, not mentioned above, have adopted similar plans.)

The purchase of E Bonds was specified by all of the allotment plans. Two companies, the American Telephone and Telegraph Company and the General Electric Company, also offer F and G Bonds.

Employee participation in the salary allotment plans is voluntary. Salary deductions are made at intervals, conforming to regular payroll periods—weekly, semi-monthly and monthly. Authorizations for the purchase of bonds may be amended or cancelled by employees at any time prior to the purchase of the bonds upon appropriate written request, and are automatically cancelled on the termination of an employee's service.

---

## A.B.A. EMPLOYEES PARTICIPATE

*A salary allotment plan for the purchase of Defense Savings Bonds and Stamps, patterned along the general outline of those discussed here, has been adopted by the American Bankers Association and is being wholeheartedly supported by its employees. It is anticipated that employee participation will be practically 100 per cent.*

---

The amount of the salary deduction at a given period varies from 25 cents to an amount sufficient to purchase a bond outright, with 75 cents being the most general semi-monthly allotment for those in the lower income bracket. All of the plans examined follow the practice of accumulating the salary allotment deductions in special bank accounts, appropriately designated, and of purchasing bonds for employees at regular intervals, usually once a month, when sufficient funds for the purpose have been accumulated for the accounts of employees.

**D**ELIVERY of bonds after purchase is made in two ways: (1) either directly to the purchaser by the Treasury Department, by registered mail, or (2) through the purchasing company to its employees. Employees are cautioned to examine their bonds upon receipt to see that they are in the proper form.

The Riggs National Bank and the General Electric Company purchase Defense Savings Stamps as well as bonds for employees. The Riggs bank delivers the stamps to employees with their pay envelopes, leaving it to them to accumulate the stamps in their own albums. General Electric furnishes its employees with albums in which to mount their stamps. General Electric, also, places its safekeeping facilities at its various plants at the disposal of its employees and points out that defense securities also may be deposited with Federal Reserve banks for safekeeping.

The New York Trust Company has devised a salary allotment plan for the benefit of customers. A copy of the general outline of its plan was sent to its most important commercial depositors and to correspondent banks. It reports that "thus far the reaction has been very favorable." It is considering a payroll deduction plan for its own employees, which, when installed, will follow closely the set-up outlined for its customers.

Mr. Touchstone, who has been highly successful in devising employee salary allotment plans for the purchase of insurance, strongly advocates that companies adopting Defense Savings Bond payroll deduction schemes (1) offer E Bonds only because of the limited number of employees who can purchase F and G Bonds; (2) that companies employing large numbers of women encourage the purchase of Defense Savings Stamps because of the large employee turnover; (3) that the allotment funds be segregated from all company funds; and (4) that companies that are not well financed encourage the sale of stamps instead of bonds.

# Enough for Four Battleships

Treasury officials have highly praised the enthusiasm, resourcefulness and success of the banks in selling defense securities. Early in the campaign it was estimated that bank sales were outstripping post office distribution two to one, which means that the banks contributed substantially to the \$441,000,000 total sold the first month. This amount,

said Secretary Morgenthau, was enough to pay for four battleships or 1,000 long-range bombers. BANKING here publishes pictures of representative promotional display material used by banks in helping the bond sale. Next month we'll print a similar selection from the many photographs contributed by readers.



EWING GALLOWAY

A survey by the A.B.A. Advertising Department disclosed that banks spent more than \$125,000 in newspaper advertising to promote the sale of defense securities space during one of the early weeks of the campaign. The newspapers used have a combined circulation of 22,000,000 and a readership of 50,000,000. Above, some of the 1,500 ads collected by the Department

Children's Defense Bond and Stamp Day in Danville, Virginia, was—literally—a howling success. The combined efforts of six traffic cops, 16 tellers, 20 teachers, three bottling concerns, two ice-cream plants and two theatres were required to care of the 2,023 youngsters who stormed the American National Bank and Trust Company to buy defense securities.

The Day was the bank's idea. The kids invested \$3,377.15, each purchaser getting a cone, soft drink, movie ticket and pencil. One boy bought a \$750 bond, giving his father's check. Another handed a cent to a teller who deftly exchanged it for his own dime and handed the kid a stamp





DISPLAYS. A window display, *above, left*, of the First National Bank of St. Paul: *right*, section of the lobby in the main office of the American National Bank, Nashville



BILLBOARDS. The Bowery Savings Bank in New York *above, left*, and *right*, the Montana National Bank of Billings



THEME. A window niche of the Cleveland Trust Company, *left*, fitted with a blowup of the official Treasury poster. *Right*, the lobby of the Detroit Bank







ANIMATED. Above, left, window of Plainfield (N. J.) National Bank and right, an animated display of the Paterson (N. J.) Savings Institution. (The eagle flaps its wings.) NAUTICAL. Below, left, a fluttering flag in a window display of the Seamen's Bank for Savings, New York City. Below, right, lobby of the Riggs National Bank, Washington, D. C.



NEW YORK. A poster, below, displayed in the windows of the branches of the National City Bank of New York. A copy, right, of the Minute Man statue in the lobby of the Marine Trust Company of Buffalo

*Do You Know...*

that DEFENSE BONDS  
pay 2.90% interest?

*Do You Want...*

\$100 monthly income  
in ten years? If so, buy  
a \$75 DEFENSE BOND  
every month.

The facilities of this NATIONAL CITY BRANCH are at  
your disposal in aiding you to aid your Government



"By saving at least part of what would otherwise be spent....not only are these resources left free for government use during the period of greatest urgency, but....consumers who voluntarily postpone their purchases will have a financial backlog which will stand them in good stead in the period of readjustment."

From THE INDEX, published quarterly by  
THE NEW YORK TRUST COMPANY



**BUY DEFENSE BONDS HERE**



**MESSAGES.** A New York Trust Company poster, left, displayed in the lobbies and windows of the bank and its branches. H. J. Nichols, above, vice-president of National Shawmut Bank of Boston, with the bank's exhibit. A moving strip in the bottom of the display carries a message



**SERVICE.** The Central National Bank of Chicago, above, fills a window. Above, right, the main lobby of the Hibernia National Bank in New Orleans

**SHIELD.** Attractive exhibit in the window of the First National Trust and Savings Bank, San Diego



# Bank-Perfected RECORDAK also used by 33 leading insurance companies

## INSURANCE



**K**NOWING that Recordak was created in a bank, tested in a bank, and has worked for banks for years, you may be surprised to know how many other kinds of businesses use Recordak, too.

For example, 33 of our leading insurance companies "file" photographically with Recordak . . . transferring policy notes, premium ledger account cards, mortgage and loan account cards, loan records, cancelled checks, correspondence, industrial application forms, policy briefs, etc., to tiny strips of film . . . and thus save many thousands of dollars' worth of filing space, time, and equipment.

But "filing" is just one of Recordak's assignments. It does other jobs for the insurance companies, too. And always with added speed, greater efficiency and economy.

To get back to banking . . . If you're not using Recordak in your bank, you should be. For, obviously, you cannot afford to ignore savings as substantial as Recordak's . . . up to 45% net on per item costs, up to 50% on supplies, up to 98% in storage space. Recordak is *rented*; not sold. Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.

(1) Commercial Recordak. Photographs all bank forms. Widely used for the Recordak System of Single Posting. (2) Reversible Recordak. For photographing both sides of checks and large forms in a single operation. (3) Recordak Junior. For

smaller banks, and special departments of large banks (tellers' cages, filing departments, etc.). (4) Bank Model Recordak. Speeds up transit operations, photographs paid checks, protects bank and depositor.



## RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS



# Dear

## A Letter About the Pas-

*Little Rock, Ark.*

To the Editor:

THERE are enclosed several pictures taken in connection with the work and hobbies of the personnel of W. B. Worthen Company, bankers, of Little Rock.

Photography is the hobby of Louis East, senior paying teller, who took all the pictures except that of the fishing party. He also made the picture of Pinnacle Mountain seen at sundown from River Road, which BANKING published in its May issue (p. 65). This was a print-of-the-month of the Little Rock Camera Club.

Photograph No. 1, the young lady with the gun, was co-winner of the April print-of-the-month award. The other scenics (Nos. 8 and 11) were taken near Little Rock.

The log cabin (No. 2) set among the pines is a "dream come true" for Mollie Hirsch, employee in the personal loan department and granddaughter of the founder of the bank. Mollie planned the house and, together with those of her friends who also yearn for the simple country life, painfully extracted from the terrain the rocks for the cabin's foundation. While they do not actually claim to have felled the trees used, many a Saturday afternoon was spent in wandering through the surrounding forest to select the perfect trees for the building. Interior decorations are also by Miss Hirsch.

The gentleman (No. 3) surrounded by the littered work-shop is A. M. (Andy) Bowles, in charge of general books. Andy's duck calls (shown on the shelf below the window) are truly works of art, and have merited mention in a number of leading sports magazines and newspapers. He has received orders from all over the country





# Banking . . . . .

## *times of One Bank's Staff*

© 20

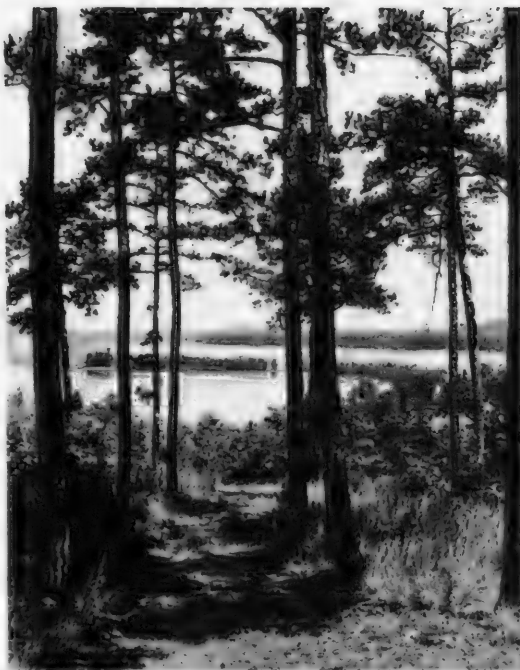
for these calls. He also makes other types. James H. Penick, president of the bank and duck hunter par excellence, would consider it nothing short of sacrilege to start a duck hunt without a complete assortment of Andy's calls.

The transit department boasts a group of boys with common interests, mainly athletic. They are shown at work in one picture (No. 4); in uniform in another (No. 5). A third picture (No. 6) shows them on the soft-ball field, and a fourth (No. 7) is a display of the trophies they have won under the able management of R. M. McCowan, manager of the transit department, and Cashier L. E. Dishongh, in charge of personnel. The bank sponsors the team and Mr. Dishongh is its most ardent and irrepressible supporter. These boys, plus a few from other departments, have also captured an impressive array of trophies in basketball leagues, some of the trophies being included in the trophy display.

The fish so proudly displayed in picture 9 by State Bank Commissioner T. W. Leggett, Mr. Penick, and E. J. White, president, Bank of West Memphis, Arkansas, were caught in April at Five Lakes Club in Eastern Arkansas. They said the fish weren't biting that day!

The photograph of President Penick (No. 10) was snapped without his knowledge as he was shooting at Big Lake Club near Little Rock. Mr. East caught the picture, he says, while hanging suspended from a cypress tree in the middle of the lake.

THE STAFF  
W. B. WORTHEN COMPANY





# “All We Do Is Sign



It takes a lot of “hay” for the Boys at Camp Roberts, California

This picture, from the Bank of America N. T. & S. A. Paso Robles Branch, shows currency ready for the camp's payroll. *Left to right*, Lt. Joe Cashion, superintendent of military police; A. L. Monk, branch manager; Major Louis Weiss, chief finance officer at Roberts; his assistants, Lts. A. L. Ritchie and E. M. Buker. Lt. Ritchie is a former banker

**D**o you remember, buck privates of 1917-19, how it felt when the sergeant bellowed “Fall in to sign the payroll!”? And how everybody chanted

“All we do is sign the payroll —  
But we don't get a blink-blank cent.”

The reason was that by the time Uncle Sam had deducted the allotment for dependents, the war risk insurance premium, the Liberty Bond instalment, and this item and that, the task confronting the finance officer who counted out your crisp one dollar notes was not particularly difficult.

Maybe, if you were in domestic service, the camp had a branch of a commercial bank where the officers cashed or deposited their checks, or perhaps negotiated a little loan, and where the post exchange and the company fund custodian did business. But when, as, and if a buck private got a check from home, he cashed it at the

canteen. And if he needed a loan, the pawnbroker in town was glad to add a wrist watch to his collection.

**W**ELL, the Army is still the Army, apparently, even though they've blitzed Squads Right and gone mechanized. BANKING has been asking questions of banks and clearinghouse associations in a couple of dozen towns near important military camps, and has learned that:

*Banks for the most part have not found it necessary to provide special facilities for the service men, although some institutions have increased their staffs to handle Army business.*

*Check-cashing experience has been generally satisfactory.*

*Only a small proportion of enlisted men have checking or savings accounts, but there is considerable officers' checking-in business.*

*Officer borrowers are fairly numerous, enlisted men borrowers very few.*

# the Payroll" ☆

*The pawnbroker is still on the job.*

*There is a brisk business in providing service for post exchanges and various funds of military units.*

Much interesting information was in the letters that replied to BANKING's request for word about the experience of banks in serving large Army cantonments. The answer of Sam D. Young, vice-president of the El Paso National Bank, for example, was a compact summary of that institution's relations with the men at Fort Bliss.

"Our experience shows," wrote Mr. Young, "that the Army requires very little extraordinary banking service. Enlisted men, you know, are paid in cash monthly and the officers are paid by check. Practically all officers carry checking accounts. They either mail their deposits or leave standing instructions with the finance officer to remit for their credit, but enlisted men seldom use deposit facilities. We estimate that less than 5 per cent of the enlisted men at Fort Bliss maintain either savings or checking accounts.

"On pay days Army organizations such as the post exchange, canteen and troop funds collect their monthly accounts and are swamped with cash, requiring late banking service on that particular day. The banks of El Paso, acting through the clearinghouse association, remain open until 5 p.m. on each Army pay day to serve not only these organizations but any and all officers and enlisted men who desire to get it.

"Very rarely are we requested to cash out-of-town checks for service men; but such checks as are presented in reasonable amounts are cashed rather freely, simply by identifying the man with his organization. Officers, except those moving in for a new station, very seldom cash checks, and they likewise are handled freely with most satisfactory experience. In fact, losses among the regular Army officers are practically nil, either on checks, loans or other commitments.

"We have established rules covering loans to enlisted men, and in all instances we require the endorsement of the troop commander or other acceptable security. Officers' records are checked with the finance department



Fort Ord Branch of the Monterey County Trust and Savings Bank, Salinas, California

as they open accounts. Where the record is clear a loan limit is set for each according to rank and if a loan in excess of our reasonable limit is requested we usually ask the indorsement of a brother officer of higher rank. Most loans are granted on a monthly payment plan and a large percentage of the officers are frequent or constant borrowers. The limit we arbitrarily apply is one month's salary where an indorsement is not provided, but in cases where security is obtained we advance as much as the officer can reasonably pay from month to month over a period of 12 to 18 months—12 months being the rule and 18 the exception.

"Many enlisted men patronize the pawnshops of the city and high rate lenders who ply their trade around the post."

From the Bank of America's branch at Paso Robles, California, Manager A. L. Monk writes regarding Camp Roberts:

"We would say that 80 per cent of the commissioned officers maintain commercial accounts and that 20 per cent in addition have savings accounts. The majority of non-commissioned officers leans toward savings accounts.

"An amazing thing is that the selectees, drawing only \$21 a month, open small savings accounts. To be sure, not a great percentage, but a surprising number of the 16,000 selectees have opened small savings accounts with \$5 here or \$10 there."

(It might be observed that few banks noted much of a tendency among enlisted men to maintain thrift accounts.)

Mr. Monk's bank makes personal loans to commissioned officers, especially regular Army men. An Organized Reserve officer's note must mature 30 days before his service period expires. The bank makes no loans to enlisted men "for the simple reason that they do not require extension of credit."

"Unfortunately," adds Mr. Monk, "the enlisted or drafted man who requires credit usually goes to a pawn shop and leaves his watch or some other personal effect as security. As you know, he is charged a terrific rate of interest."

The bank makes numerous loans to non-commissioned officers but always requires the approval of the commanding officer.

An important post on the Atlantic seaboard is Fort George G. Meade in Maryland, where the Citizens

---

*A bill "to provide for the extension of banking facilities at military reservations and at navy yards and stations" has been introduced in the United States Senate. "Notwithstanding any other provision of law to the contrary," it says, "a national bank may, upon authorization of the Comptroller of the Currency, and subject to such conditions and limitations as he shall prescribe, provide banking facilities at United States military reservations and navy yards and stations, but no such authorization shall become effective or continue in effect except with the consent of the Secretary of War or the Secretary of the Navy . . ."*

---



These people help provide banking facilities for Fort Belvoir, Virginia. Left to right, Lt. P. H. Lawrence, assistant finance officer at the Fort; George E. Warfield, executive vice president, First National Bank, Alexandria, and president, Alexandria Clearing House Association; Miss Jacqueline Howdershell, head bookkeeper, and Frederick Cornell, head teller, Citizens National Bank, Alexandria; Major H. A. Gardybe, Finance Officer at the Fort



National Bank of Laurel provides banking service. Says W. M. Cob, assistant cashier:

"There is one room at the post headquarters building in which we wait on our patrons by sending a young lady clerk for about an hour on Monday, Wednesday and Friday, at noon. We receive deposits, cash checks and attend to a few minor details, but have no ledgers and give no cashier's checks there. We have had very little trouble in cashing checks for the service men."

THAT there is a good bit of business at Meade is evident from Mr. Cob's remarks on bookkeeping: "Prior to the enlargement of the camp we had about 18 inches of ledger space and now we have about 30. This business is largely composed of company and officers' accounts, with a few enlisted men's accounts. They open a few savings accounts now and then."

"In making loans," says Cashier Cob, "we almost always stick to regular Army men and those who have accounts with us."

This bank has increased its staff to help serve the Fort.

O. A. Rossman of the Battle Creek (Michigan) Clearing House Association reports that the banks there are providing the customary banking service to Fort Custer men during regular banking hours. The Fort is about four miles from town. The experience in cashing checks for soldiers is satisfactory.

Few private soldiers at Custer have accounts, although probably one-half of the commissioned officers maintain either checking or savings accommodations. Requests for credit have not been large.

In Massachusetts, the First National Bank of Ayer does not extend its hours for the benefit of Fort Devens men. Its experience in cashing their checks, says President H. B. White, "has been very satisfactory"; in fact, there hadn't been a loss when he wrote.

"Many of the officers deposit their pay checks in a checking account, and we give them the general service we maintain for all deposit accounts."

"Regarding loans to officers and men stationed at the Fort, we give their requests for loans the same careful attention that we do to any application and furnish the loans wherever conditions are satisfactory. We have very few requests for loans."

The Citizens National Bank at Brownwood, Texas, remains open until 3 p.m. Saturdays to render better service to the Camp Bowie men and to take care of the banking needs of local merchants. F. S. Abney, the bank's president, says:

"We do not cash personal checks without proper endorsement of customers of this bank. We do cash some personal checks for officers and our experience has been satisfactory."

"WE WOULD say offhand that the percentage of accounts maintained at local banks by non-commissioned officers is small, possibly less than 10 per cent. Possibly the percentage of officers of the rank of first lieutenant or better maintaining local banking connections would be 25 per cent or more."

In granting loans, this bank makes no distinction between commissioned and non-commissioned officers—"that is," writes Mr. Abney, "each must obtain as security personal endorsements and the recommendation of his commanding officer."

"We have, of course, lessened the time allowed to retire a loan as the first year's service comes to an end, under the theory that selectees may not be required to serve more than one year."

Fort Eustis, Virginia, as well as Langley Field and Fort Monroe, provide some business for the banks of Newport News, but aside from keeping open for two hours each Friday evening no other facility has been added—"and," asserts G. Franklin Lenz, president of the Citizens Marine Jefferson Bank, "hardly any service men make use of this." That institution "enjoys the patronage of very few men in the service so far as checking or savings accounts are concerned." Its loan procedure is the same as for civilians: good credit record is necessary, with collateral or acceptable endorsement.

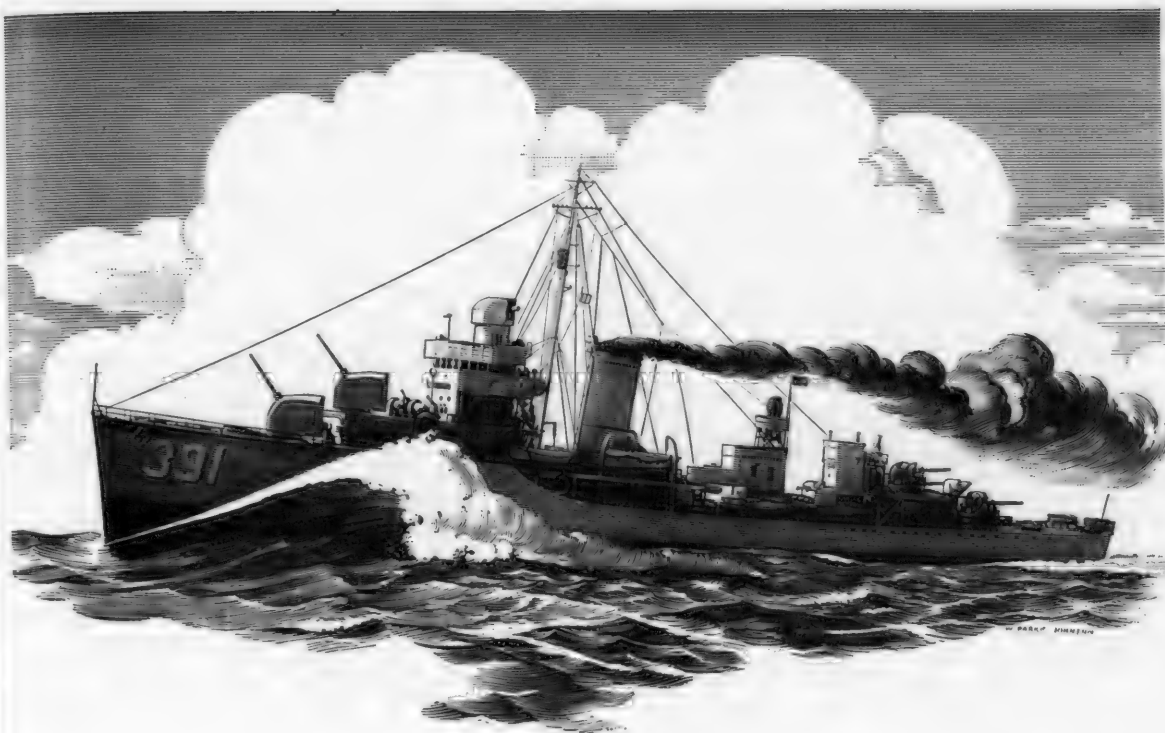
THE Monterey County Trust and Savings Bank of Salinas, California, has a special Army branch at Fort Ord.

"Most all of the officers carry checking accounts," according to A. P. Overhouse, vice-president and cashier. "Very few carry savings accounts. Commercial accounts are discouraged among the enlisted men. A small percentage—approximately 5 per cent—carry savings accounts. Most of their funds are received from sources other than Army pay."

"All loans made to officers are personal monthly payment loans. Those applying for loans have little or no security to offer aside from their salary. Each loan is considered individually and made or refused on the circumstances surrounding it."

*Reports from other banks serving the Army will appear in August BANKING.*





## “Always Ready”

“...The Navy is always ready”

Secretary of the Navy FRANK KNOX  
May 7, 1941

Our First Line of Defense—The Navy—in ever increasing strength stands watch over the American nation. And each day the tempo of our shipyards, the basic factor in our country's naval power, is accelerated.

Bank credit—like the U. S. Navy—also is always ready. Commercial banks are actively participating in financing the construction of the new shipyards which are beginning to dot the nation's coastline. The staccato tattoo of thousands of riveting machines

heralds the growth of an invincible two-ocean navy, as destroyers and other ships of war glide down the ways months ahead of schedule.

In financing the building of shipyards, as in other rearmament activities, the Chase is cooperating in vigorous measure with correspondent banks throughout the country, thus helping to place in the hands of our armed forces the means of defending America's safety and integrity.

## THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

*Member Federal Deposit Insurance Corporation*

# Bond Prices and Prospects

E. SHERMAN ADAMS

Mr. ADAMS, an Eastern banker, is a frequent contributor to *BANKING* on investment problems.

**S**UPPOSE you were asked to advise all the banks in the United States on their investment policies. What advice would you give?

Prior to 1930 banks bought large quantities of securities of inferior quality. During 1930-33 losses and depreciation in bond portfolios were a chief cause of many bank failures. Heavy selling of securities by solvent banks greatly aggravated the situation. In retrospect it is clear that much of this harmful liquidation was unjustified. Also, many banks curtailed their lending operations partly because of the collapse of bond values.

These mistakes should not be repeated. Every banker's first duty is to prepare his institution to withstand the effects of a major depression that may begin at any time and develop with extraordinary rapidity. He also should follow policies that will contribute to the safety of the banking system as a whole. In terms of investment policy, this means that the average banker should plan to sell within some reasonable period of time all securities that are not suitable for permanent retention.

Which bonds should be sold? Statistical ratings may be of some use as general guides. You may advise restricting commitments to the highest two rating groups in some portfolios and to the highest three ratings in others. Market yields should also be helpful. You may find it difficult to persuade bankers that they should select for liquidation bonds selling at the highest yields. Nevertheless, experience has proven that market yields are frequently more accurate than statistical ratings as indicators of investment risk.

**Y**ou also must weigh special factors that may explain why certain types of securities are perhaps selling higher or lower than they deserve on a comparative basis. For example, one reason state and municipal bonds are so high in price is because of the increased value of their tax exemption. In view of the taxation problem posed by the present emergency, this immunity may be abridged at least to some extent. Another reason is that actual defaults among municipal obligations have been very infrequent for many years. Continued heavy taxation for defense may seriously impair the tax-paying ability of important sections of the population.

Many medium and second grade bonds of industrial and public utility corporations are now selling at high prices compared with former levels because of the pressure of investment funds seeking income and because the earnings of these companies should remain satisfactory as long as the present boom continues. Possibilities for further price appreciation are obviously limited.

What about railroad bonds? It is easy to say they are depressed marketwise because so many investors wish to

liquidate. Your real problem is the extent to which the present boom may cause a fundamental improvement in railroad credit.

You should also analyze factors that may affect individual companies and municipalities. Certain railroads may have much better opportunities than others of reducing debt and otherwise strengthening their position during the next few years. How will various corporations be affected by rising commodity prices, higher wages, shortages of skilled labor or vital materials, price-fixing, excise taxes on luxury goods, restrictions on consumer financing, etc? In case of a municipality, how serious will its problems be after the war with respect to unemployment and real estate?

Bonds quoted at substantial discounts are obviously dangerous, but some may have good possibilities for appreciation. The banks you are advising obviously cannot hope to obtain top prices for these issues. The logical approach is for each bank to adopt some definite plan for disposing of its holdings.

**T**HE details of this program will depend to some extent upon the banker's temperament and circumstances. He can be fairly sure of achieving reasonably good average results by planning to sell some minimum amount of holdings at regular intervals over a stated period, say the next 12 to 18 months. In addition, he might establish liquidating prices at which sales are to be made in a rising market. If these prices are not attained within a reasonable period, some sales should be made anyway. Unless a banker makes steady progress toward eliminating undesirable securities, he may find himself still holding them when the depression arrives.

Banks cannot continue indefinitely to buy more and more securities at constantly higher prices. The higher bond prices go, the more serious the eventual readjustment will be. On the other hand, the banks must absorb some additional government securities during the years ahead. Also, the public interest requires that the defense program should be financed at comparatively low rates. *At least for the duration of the war emergency, it is difficult to visualize a substantial rise in interest rates. If liquidation by banks or others should cause the market to start to sag badly, the Government would undoubtedly adopt any control measures that might be needed. If such controls should be instituted, they might become permanent.*

There is no exact formula, of course, by which you can determine the most desirable level for high grade bond prices during this period. For the welfare of the banks and the stability of the bond market, you may feel that prices should not go much higher. From the standpoint of the Treasury and the possibility of the imposition of controls, prices should not decline very much. Your advice to bankers, therefore, might be as follows:

1. Arrange your holdings so that market fluctuations

can be largely ignored. This means investing to hold until maturity, or until near maturity.

2. Don't be a "weak holder." Don't continue to hold bonds with the idea that you will dump them if the market starts to decline. If you ought to lighten up your holdings, try to do so when the market is steady or rising. Don't sell simply to take profits. Don't sell any substantial portion of your holdings unless the market is making new highs. Don't liquidate too heavily even then.

3. If you have funds you wish to invest, try to buy when prices are declining. Don't wait for a big break in the market in order to acquire bonds for income purposes. Don't postpone all buying too long even though the market is firm if you may be forced to invest within a relatively short time regardless of market conditions. Don't hoard cash indefinitely "waiting for the outlook to become more clarified."

If bankers follow this advice, they should achieve very creditable investment results while at the same time helping the bond market to function satisfactorily during the war emergency.

But what about results over the longer term? What will you say when a banker asks you how many long maturities he should hold and how fully invested he should be?

You cannot answer this by any rule of thumb. Each banker should attempt to estimate his future liquidity requirements as best he can. He should bear in mind that when this defense boom is over, bankers may have an important role to play in maintaining a flow of credit to business and to the public. If banks refrain from lending during the post-war depression, the trend toward government banking will be accelerated.

*An ideal arrangement would be for each banker to have substantial amounts of high grade bonds maturing each year which will provide funds for any contingencies. He should avoid holding so many long term bonds that his lending operations may some day be unduly restricted in the event of a firming of interest rates.*

How much higher might interest rates go after the emergency is over? Admittedly there may be a considerable demand for funds to finance the shift to a peacetime economy, to finance reconstruction abroad and the development of raw material producing countries. War is a prodigal destroyer of capital. Private wealth may be dissipated by losses and taxation, perhaps even by capital levies. Some part of our huge store of gold may be redistributed to other countries.

Nevertheless, the Treasury will continue to favor low interest rates because it will be faced with a recurring problem of refunding vast quantities of securities every year for an indefinite period. Also, the volume of bank deposits is not likely to decline much in the event of a post-war depression. It may even increase appreciably if the Government borrows to provide relief, employment and pensions for millions of men discharged from the armed services and from defense industries. Deposits will also tend to expand to the extent that holders of Savings Bonds present them for redemption.

Years ago we thought of interest rates as being determined by changes in demand in relation to a limited

## Comparative Composite of All Bonds Listed on New York Stock Exchange

Values Are Given in Thousands

GROUP	MARKET VALUE MAY 31, '40	MARKET VALUE MAY 31, '41
Amusement.....	\$ 41,165	\$ 46,033
Automobile.....	15,777	14,118
Aviation.....	.....	.....
Building.....	21,852	19,976
Business and Office Equip.....	17,535	19,424
Chemical.....	75,890	77,038
Electrical Equipment.....	36,342	16,106
Farm Machinery.....	.....	.....
Finance.....	88,688	49,752
Food.....	229,768	212,822
Garment Manufacturers.....	.....	.....
Land, Realty and Hotels.....	8,292	9,769
Leather and Shoe M'frs.....	.....	.....
Machinery and Metal Products.....	57,438	49,570
Mining.....	73,528	90,817
Paper and Publishing.....	67,472	71,295
Petroleum.....	624,628	593,084
Railroad.....	5,285,709	6,512,867
Retail Merchandising.....	16,460	11,192
Rubber Tire and Goods.....	74,162	25,615
Shipbuilding and Operating.....	13,435	20,131
Shipping Services.....	11,829	15,712
Steel, Iron and Coke.....	402,955	560,556
Textile.....	8,799	25,810
Tobacco.....	41,314	41,428
All Public Utilities.....	4,602,419	4,347,303
Miscellaneous Companies.....	24,986	8,850
U. S. Co.'s Operating Abroad.....	85,817	89,368
<b>TOTAL U. S. COMPANIES.....</b>	<b>\$11,926,260</b>	<b>\$12,928,636</b>
Foreign Companies.....	611,026	747,593
U. S. Govts. (Incl. Corps and Subdivs.).....	33,270,286	37,364,544
Foreign Govts. (Incl. Subdivs.).....	1,129,289	1,280,937
<b>TOTAL.....</b>	<b>\$46,936,861</b>	<b>\$52,321,710</b>

supply of credit. This concept belonged to the old laissez-faire philosophy and was predicated upon an assumed scarcity of credit controlled by an independent banking system. Our credit base today is so broad that the supply of credit is capable of almost indefinite expansion. Also, the Federal Government has become a powerful competitor of private banking. Managed money may be here to stay.

WHILE this is one person's opinion, I believe you can conclude that interest rates may be at low levels for a considerable period. They may advance when the emergency is ended but such a rise would not be violent. In other words, *prices for long term bonds of prime quality may eventually decline 10 points, perhaps even 15 or 20 points, but a drop of 30 or 40 points is simply not in the cards as they stack up today.*

With bond prices as high as they are now, a bank obviously should not invest too heavily in long-term securities. On the other hand, since prices may remain relatively high for a long time, you would caution the average bank against following a policy of extreme liquidity.

# Bank Supervision Experience

GURDEN EDWARDS

Mr. EDWARDS is Director of the Research Council, American Bankers Association, and Secretary of the Special Banking Studies Committee.

A SURVEY of the experience of bankers regarding specific problems and practices in bank examination and supervision shows a generally favorable attitude among them as to their contacts with supervisory authorities and agents. There is reported, however, a substantial body of experience indicating that in some sections there still exists among examiners a disposition to discriminate against long term and capital loans.

The survey was undertaken for the purpose of assisting the American Bankers Association's Special Banking Studies Committee in the formulation of replies to the questionnaire on monetary and banking policies submitted to the Association by the United States Senate Committee on Banking and Currency. It was conducted through a special questionnaire prepared by the office of the Research Council and distributed to over 1,000 bankers throughout the country by the Research Committee of the American Institute of Banking, of which G. Fred Berger, treasurer, Norristown-Penn Trust Company, Norristown, Pennsylvania, is chairman. Replies to all or part of the questions asked were received from 967 bankers. The results are believed to provide a good cross section of recent banker experience in the matters of supervision and examination on which information was sought.

Many bankers, in addition to replying directly to the specific questions propounded, amplified their answers with comments regarding the standards of supervision, the practices employed, contacts with individual examiners, and the relations between various supervisory agencies. One of the most significant features of these comments is their emphasis on the personal factors involved in bank examination and supervision. There appeared to be a consensus that the personality and ability of the individual bank examiner greatly influence the banker's reaction to supervision.

Comments such as these were volunteered: "We think we have been quite fortunate in the last few years in the caliber of men who have conducted our examinations as compared with some experiences of which we have heard." . . . "Over all, during the last five-year period, I think we will have to say that we have been fortunate in having a thorough, discriminating, intelligent and courteous examination routine. We would be quite content if we could feel that we had the assurance of the same kind of examination for the next five years." . . . "We have been exceedingly fortunate in having examiners who are familiar with banking in our particular territory and our relations have been pleasant and constructive." . . .

"Some examiners have brains and character and understand the banking business. Others do not." . . .

"Our answers are based largely on experience of the past three or four years. Prior to this time we felt that some of the examiners were unduly critical and were inclined to be somewhat out of line with their supervisory authority." . . . "We think it depends a good deal on the bank examiner in each bank. The bank examiner serves only as a doctor to cure ills. We do feel that they should be men of wide experience who can also give sound advice."

Several bankers volunteered the opinion that bank examination and supervision have shown significant improvement in recent years. Others offered suggestions on how supervisory practices and relationships could be bettered.

A tabulation of the replies to the special questionnaire is given herewith:

Question	% "Yes"	% "No"	No. of Replies
1. Do bank supervisors and examiners give "advice" with regard to your bank's policies or practices which are not subject to supervisory control? . .	42.2	57.8	956
2. Does the influence of bank examiners keep you from making loans or investments you otherwise would make? . .	28.1	71.9	955
3. Do bank examiners show any discrimination against—			
a. Long term loans as such? . . . . .	34.7	65.3	938
b. Capital loans as such? . . . . .	65.1	34.9	935
c. Real estate loans as such? . . . . .	14.9	85.1	942
4. Do supervisory authorities make rules for your bank's ratio of capital to—			
a. Total deposits? . . . . .	38.9	61.1	930*
b. Employed assets? . . . . .	6.5	93.5	918*
c. If so in either case, what ratio is indicated?			
1. Capital to deposits 10% . . . . .			291
2. Capital to employed assets 10% . . . . .			31
3. Other ratios . . . . .			15
5. Are the principles, procedures and practices, which supervisory authorities require banks to follow—			
a. Available to you in the form of published rules and regulations? . .	35.2	64.8	
b. Made known to you on a case by case basis? . . . . .	54.1	45.9	932
c. Made known by both methods? **	10.7	89.3	
Do you prefer—			
a. Published rules and regulations? . .	80.4	19.6	
b. The case by case method? . . . . .	16.3	83.7	893
c. A combination of both methods? **	3.3	96.7	
6. Do present appeal procedures from the requirements of supervisors and examiners offer you adequate protection? . . . . .	78.8	21.2	741***
7. Is there any significant undesirable duplication of bank supervision by different authorities in respect to your bank? . . . . .	16.8	83.2	956

\* 549 bankers reported that neither ratios of capital to total deposits nor employed assets were used as a rule of supervising authorities. A few reported the use of both capital ratio bases.

\*\* The question whether a combination of both methods was used or preferred was not asked in the questionnaire, but a number of bankers indicated the use of, and preference for, a combination of both methods.

\*\*\* 143 additional bankers reported that they have had no experience with appeal procedures and therefore were unable to express an opinion on this question.





NEW YORK: 72 Wall Street • CHICAGO: 1 No. LaSalle Street • SAN FRANCISCO: 37 Drumm Street • LOS ANGELES: W. P. Story Bldg • Buffalo • Boston • Philadelphia • Kansas City, Mo • St. Louis • New Orleans • Minneapolis • Dallas • Houston • Denver • Fresno • Portland, Oregon • Seattle • Spokane • Honolulu



## BIG OPPORTUNITY KNOCKS FOR LOANS

If you still have room for some good loans in your Bank's portfolio, you'll find Opportunity at your door RIGHT NOW. And here's what he has to say about developing more sound loan business: Look for substantial marketable inventories in your customers' balance sheets. Help them finance these and build larger needed inventories. Such inventories constitute grade-A collateral when hypothecated

to your Bank with Lawrence Field Warehouse Receipts. They enable your Bank to increase loan totals and to provide your customers with very welcome additional working capital. Write today to any Lawrence System office (listed at the top of this advertisement) for free booklets which tell how Lawrence Field Warehouse Receipts can help your Bank to increase its loans AND ITS PROFITS

**LAWRENCE SYSTEM** *of field warehousing*

*Creating bank loans against inventory* \_\_\_\_\_

# Stretching the Fire Policy

HORACE ERVIN

The growing popularity of "multi-risk" forms of insurance (familiar to bankers in blanket bonds) is further evidenced by the Extended Coverage Endorsement which brings more perils within the scope of the fire policy. It contemplates direct loss by physical damage and applies to residence, mercantile, industrial and business properties on the bank's property list. HORACE ERVIN is with the advertising firm of Albert Frank-Guenther Law, Inc., New York City.

**H**ERE and there in an insurance company you find veteran jokesters who delight to send the green office boy searching for that vague but impressive-sounding instrument, a "policy-stretcher". Of course, no matter how exhaustive his search, the novice can never quite attain possession of the fabulous mechanism.

Yet there is such a thing as a policy-stretcher, as far as the fire insurance contract is concerned. It goes by the name Extended Coverage Endorsement and when added to the fire policy tends to make that protection "multi-risk" in character. All the extra protection the property gets, after the additional premium is paid, applies to physical damage that may be inflicted by an evil event of nature or an inevitable mistake of man. Two of the seven extra coverages granted by the Endorsement anticipate loss through nature's handwriting: windstorm and hail. The other five presuppose human agency: riot, aircraft damage, explosion, smoke damage, vehicle damage.

The bank desiring to secure its property interests, or financial interests in property, with all possible hazard protection may indeed not require so capacious a shield as the Extended Coverage Endorsement. Type, location and use of structure have something to say about it; industrial character of the community counts; and the havoc wrought in New England by the windstorm of 1938 proved that regions believed storm-free are as susceptible as any other to wind losses. Yet the very fact that numerous related coverages are conveniently presented in a package at a reduced premium makes them worthy of consideration, judging the candidacy of each property on its own merits.

The Extended Coverage Endorsement has this technical value. It plugs up "leaks" in the fire policy. For not all fire is covered by the fire policy. Here are two instances where the contract does not cover damage from fire: (1) When fire follows the fall of a building due, for example, to windstorm. (The "fall of building" clause of the standard fire policy, operative in most states, says, in substance: "If the building falls down from some cause other than fire, all insurance imme-

diately ceases". A fallen fire-insured building, that is, suddenly is without coverage.) (2) When fire is caused "directly or indirectly by invasion, insurrection, riot".

The Endorsement may be said, however, to make up for these limitations of the fire insurance contract. Take the case where a fire breaks out after windstorm has blown down the building, or a section of it. Even though the fire policy does not cover the resulting damage from fire, the windstorm section does provide coverage. This is known as "bridging the gap" between hazards.

**H**ERE, briefly but not completely, are the seven main perils added to the scope of the fire policy by the instrument under discussion:

- (1) **WINDSTORM**—Includes direct loss as the result of windstorm, cyclone, tornado. Excludes snowstorms, blizzards, frost, cold weather, tidal wave, high water, overflow, cloudburst. Other reasonable exclusions.
- (2) **HAIL** —Covers damage caused by hail. Excluded in this and in the windstorm section is damage to metal smokestacks, awnings, signs, certain roof additions and other specified exceptions.
- (3) **EXPLOSION** —Covers explosions on and off your premises, if not originating within steam boilers, pipes, fly wheels, engines and connected machinery they operate. Certain prohibited articles and materials may not be kept on premises.
- (4) **RIOT** —Covers damage done by rioters or by striking employees of owner or tenant. Includes pillage and looting during and at scene of riot. Excludes loss from changes in temperature or interrupted operation resulting. (These are *consequential* losses that must be insured specifically.)
- (5) **AIRCRAFT DAMAGE**—Covers loss caused by falling aircraft and objects falling from them. Includes airplanes, airships, gliders and other craft.
- (6) **SMOKE DAMAGE**—Applies only to stationary heating apparatus (steam, hot water, hot air). Other types of heating equipment excluded.
- (7) **VEHICLE DAMAGE**—Includes any vehicle on land or tracks. Excludes your own vehicle and those of tenants, agents, employees and household members.

*Note: All these coverages embrace direct loss, as does the fire contract of which they become a part. Indirect,*

resulting or consequential losses (such as loss of income, profits, commissions, rents, etc.) must be insured specifically.

You cannot procure any one or any two of these coverages at the bargain rate applying to the package of seven. The moment the Endorsement is attached to the fire policy, it becomes a group of "adopted" coverages. All the rules, regulations and limitations that apply to the fire contract also shape the scope of the seven little foster coverages. But—and this is important—the overall amount of protection you enjoy does not increase. If the fire policy is written for \$10,000, for example, the occurrence of any one or of all those hazards together won't bring a cent more than \$10,000. The Endorsement applies to any type of structure: residence, mercantile, business.

The coverage of the Endorsement is intended for the hazards of peacetime living, and the harm and loss that war brings are considered hazards in themselves. As a matter of fact, through the Explosion Conference in New York City, a committee of experts has already drawn up a war and bombardment insurance policy against the event of invasion or bombardment. They have also prepared a vandalism and malicious mischief endorsement intended to apply to hazards encountered while not directly in war, which is the best available protection for losses occasioned by the acts of saboteurs.

The Extended Coverage Endorsement contains this exclusion: it exempts the insurance company from liability for loss or damage that originates in war, invasion, civil war, insurrection, rebellion, revolution or other warlike operations (whether war is actually declared or not), or civil strife arising from these causes.

#### BANKER IN OPM

James L. O'Neill, operating vice-president, Guaranty Trust Company of New York, has been named deputy director of priorities, Office of Production Management.



UNDERWOOD & UNDERWOOD

## Try sharing a secretary with 5 DICTATORS!



You know Dave...there's one like him in every office where they share secretaries. He's the fellow who's always trying to get the girl to take his dictation but never can because she's tied up with other fellows ahead of him.



Well, Dave had one pet job that had been hanging around for weeks. He couldn't even get within hollering distance of Rose, she was that snowed under.

Dave got quietly mad. This kind of dictation "system" was an old-fashioned mess. Why should a fellow need a Panzer division to get to a secretary? Talk about *bottlenecks*!



So he decided to *do* something. Then he learned about a way he could dictate without even bothering Rose, much less doing line-plunges to reach her. It was called the Dictaphone method and it looked very easy.

Dave saw to it that the Dictaphone was demonstrated to the Office Manager. Pretty soon he and the other fellows could *all* dictate any time they wanted to. For the first time Rose left at five. And Dave got his pet job done in *no* time!



Try the Dictaphone method yourself. Your Dictaphone is always there—always ready. This modern dictating machine is easy to use. It

catches every idea, without waiting. Minimizes interruptions—speeds work all through the office. Mail the coupon today. There's no obligation.

### DICTAPHONE

B-7-41

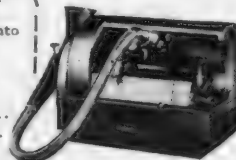
DICTAPHONE CORPORATION, 420 Lexington Ave., N. Y. C.  
In Canada: Dictaphone Corp. Ltd., 86 Richmond St., W., Toronto

- ☐ I should like to see the Dictaphone movie, "What's an office anyway?" showing how bottlenecks can be eliminated.
- ☐ I should like to try a Dictaphone Cameo Dictating Machine in my own office without obligation.

Name .....

Company .....

Address .....



The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

# A Consumer Loan Survey

## *A Pittsburgh Bank's Study of Small Borrowers*

JOHN KINNEMAN, JR.

*The author is vice-president of the Peoples-Pittsburgh Trust Company of Pittsburgh, Pennsylvania, which made the survey.*

**A**LTHOUGH a good many banks—including some of the largest—have been at it for some years, there is still a question in the minds of some bankers, and other business men, whether banks should be in the small loan business. Some say that such business is pawnbroking, or that it is beneath the dignity of banks. A more serious charge is that banks encourage people to go into debt.

However, if the facts revealed by a Peoples-Pittsburgh Trust Company survey, covering thousands of small loans, can be considered truly representative, banks making personal loans are performing a real economic and social service by (1) getting people out of debt, (2) assuring local merchants, doctors, etc., of collection of money owed them, (3) relieving borrowers of the harassment of persistent creditors, (4) preserving credit standing, (5) making available additional living comforts, (6) lending money at minimum rates.

The survey shows that by far the most frequent reason for personal loans is to pay off all types of debts, such as hospital bills, furniture bills, doctor bills, insurance premiums and taxes. Over 60 per cent of all the bank's small loans were made for these purposes.

**W**ITH credit standing preserved, creditors satisfied, all debts consolidated into one which can be met by small monthly payments, employers interviewed stated that the morale and efficiency of employees who borrowed definitely increased. Particularly emphasizing the social significance of banks' personal loan activities are three other frequently recurring reasons for personal loans—home modernization, education, and vacations.

The survey just completed was intended to establish basic facts as to the market served and the desirability of the bank's continued activity in it.

Twenty-one per cent of those who borrowed from Peoples-Pittsburgh said they did so because of the bank's low rate of interest on personal loans; 25.31 per cent borrowed from Peoples-Pittsburgh because of previous satisfactory contacts with other departments of the bank; another 25 per cent borrowed there because of the recommendation of a friend or because of the bank's general reputation.

**M**ARRIED men comprise 64 per cent of all borrowers, the survey reveals. They are typically about 40 years old, employed in an office. The average loan is \$221.

---

*The substantial value of personal loan advertising, says Mr. Kinneman, is indicated by the study that provided the data for this article.*

*Of all those interviewed, he reports, 73 per cent had found out about the bank's personal loan service through advertising. The survey shows a 94 per cent increase in loan volume for nine months in 1940 when the bank aggressively advertised for this business, compared with the corresponding nine months of 1939 when the bank did much less advertising.*

---

Forty-two per cent need loans to pay debts (furniture, store, etc.); 14.8 per cent borrow to pay doctor bills; 9.4 per cent to buy or modernize property; 6.5 per cent to pay for a vacation; 6.3 per cent to buy a car. Other major purposes include the payment of life insurance premiums and taxes.

Of all borrowers, 21 per cent are single women. Their average age is 36, average loan \$192. Of these women, 47 per cent borrow to clean up debts; 29 per cent to pay for vacations; 9 per cent for educational purposes.

Single men account for only 15 per cent of all small loans. Their average age is 32, average loan \$199. Fifty-five per cent of all single men borrow to clean up and consolidate old debts; 14 per cent borrow for a vacation; 8 per cent for educational purposes; 7 per cent to buy a car.

**T**HE survey further shows that all borrowers divide into the following groups: office and clerical—41.5 per cent; unskilled mechanics—9.2 per cent; skilled mechanics—9 per cent; teachers—7.4 per cent; salesmen—7.4 per cent; professional—7.2 per cent; city and county employees—5.5 per cent; commercial and sales agents—4.6 per cent; railway and bus operators—4.3 per cent; retailers—3.3 per cent; executives—.8 per cent. Interestingly enough, prime reason for borrowing by the executive group, in spite of the fact that some had incomes of over \$20,000 yearly, is to finance the payment of income taxes.

Indicative of the profitability of the small loan business is the bank's assertion that while extending credit to nine out of 10 who apply, its loss ratio for 1940 was .00099.



# Heard Along MAIN STREET

This material is compiled for BANKING by Albert Journeay, who is in charge of the Purse Company's Chicago office.

**B**IRDS were the boyhood friends of L. B. CARSON, assistant cashier-assistant treasurer of the Central National Bank of Topeka, Kansas. Brought up on a lonely farm in the West, he compensated for the lack of playmates by studying his feathered friends. Ever since, bird lore has been his major hobby.

Year after year Mr. CARSON watches for the arrival and departure of the birds native to Kansas, and on occasion has the thrill of discovering a stranger among them. Last year he saw a black duck, a rare bird in that state.

In his bird book Mr. CARSON has an active list of the dates of arrival of birds from 1923 to date. Of the 400 birds to be found in Kansas he has listed as many as 163 different species in one year.

In addition to many civic duties in which he engages, Mr. CARSON is counsellor in bird study for the Boy Scouts.

★

JAMES G. BLAINE, president, Marine Midland Trust Company of New York, and chairman, United China Relief Campaign, predicts greater future support by China of United States national defense industries through increased exports to this country of essential raw materials.

Mr. BLAINE points out that the new industrial development of China's vast inner provinces, following destruction or removal of 90 per cent of her industries as a result of the war, carries great economic significance not only for China's 450 million population, but also for world trade.

China's export trade, Mr. BLAINE adds, already reflects her realistic exploitation of her natural resources. The systematic exploitation of her natural resources in the last two years has helped China to play an important part in the world's barter trade.

★

R. OTIS McCLINTOCK, president, and R. ELMO THOMPSON, director and former vice-president, First National Bank and Trust Company, Tulsa, have

been elected trustees of Tulsa University. F. L. DUNN, executive vice-president of the bank, is also a trustee.

★

Another chapter in the history of Lexington (Kentucky) banking was completed upon the recent resignation of JAMES E. MCFARLAND, 80-year-old vice-president of the First National Bank and Trust Company.

Mr. MCFARLAND's broad knowledge of banking, gained in the 56 years during which he has been a banker, will not be lost to his institution as he will remain on the board of directors.

As a youngster he planned a career

as a jockey and devoted considerable time to the duties of an exercise boy in the stable of Hunt Reynolds, whose horses were ridden by the famed negro jockey, Isaac Murphy.

While Mr. MCFARLAND has never seen a Kentucky Derby, he has followed this famous track classic closely and can recite the names of the one, two, three horses in each year since the first race.

★

The recently elected mayor of Ponca City, Oklahoma, is F. M. OVERSTREET, vice-president and assistant trust officer of the First National Bank of that city.

## It Seems Like Yesterday

More old photographs. Why not send yours along?

"Main Street," explains J. M. SORESEN, vice-president, Stephens National Bank, Fremont, Nebr., concerning the picture below, "had welcomed a young man just off the farm. He was a tall, slim, awkward gawk who had stayed green longer than the usual growing season. He was bashful, too. After being employed in various stores, he accepted a place as bookkeeper in the Fremont State Bank, later the Stephens National Bank."

Since that time, except for one year in the Army during World War I, he has been with that bank.

★

G. HAROLD WELCH, secretary, Connecticut Bankers Association, is convinced that back in 1919 the tailor could have done a better job on young

G. H. W., whose likeness appears below. Then, as now, he was with the New Haven Bank N.B.A., which he joined in 1913 while still in high school. Mr. Welch has worked in all departments; he is now trust officer. He has served on the National Executive Council of the A.I.B.; Commerce and Marine Commission of the A.B.A.; and on numerous local committees.

Mr. Welch



Mr. Sorensen





This group of old-timers, who have been engaged in banking for 50 years or more, attended the golden anniversary convention of the Missouri Bankers Association

When HARRIS MCASHAN was recently elected first vice-president of the South Texas Commercial National Bank of Houston he represented the fourth generation of a family prominent in Texas banking. His great-grandfather was the founder of the South Texas National Bank and later cashier of the

South Texas Commercial National Bank, and for a quarter of a century was one of the state's leading bankers. His father, S. M. MCASHAN, Sr., late president of the bank, played a leading part in its subsequent rise to an important place among the state's financial institutions.

Mr. MCASHAN brings to his present position a broad experience gained from service as assistant national bank examiner, from experience in his own, and as an officer in a San Antonio bank.

★  
The Quarter Century Club of the East River Savings Bank, New York City, was formally organized at a luncheon meeting on the eve of the ninety-third birthday of the bank.

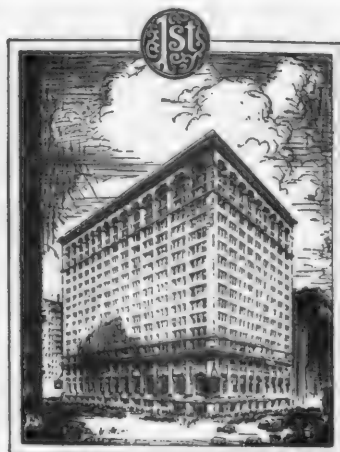
WILLIAM E. CAMPION, chosen president, is the oldest employee of the bank, having had 42 years of service. FRANCIS P. BOSCO was elected vice-president and HENRY J. MONSEES, secretary.

★  
EDWIN A. HALL, Jr., New York's 34th District Congressman, and former Binghamton, N. Y., bank teller, attributes his phenomenal political success in large measure to his public-speaking training received through the American Institute of Banking public speaking contests.

For seven consecutive years he won the local public speaking contest held by the Binghamton Chapter, and represented his chapter in the New York-New England district competition for the A. P. Gianinni award. Six times he competed in this district contest and lost. The seventh proved successful, resulting in a \$100 prize, plus a trip to the national convention to vie in the national contest.



Representative HALL is the second youngest member of Congress. He is now 32 and is serving his second term. He started his spectacular political career as the boy mayor of Binghamton while a high school student.



## Investment Service

The experience of seventy-seven years and immediate contact with principal cities make the services of our Bond Department of particular value to correspondent banks.

Inquiries by telephone, wire, or mail are invited, and quotation sheets will be mailed on request.

Telephone Franklin 6800—LD 92-93  
Teletype CGO 987

BOND DEPARTMENT  
**The First National Bank  
of Chicago**



This semi-annual flower show of The Bank for Savings, New York—from the gardens of the bank's employees—attracted wide customer interest. A local newspaper's garden editor acted as judge

JOHN E. KIRK, a lawyer, vice-president and trust officer of the National Bank of Topeka, has been actively engaged in trust business in Kansas for 31 years.

Mr. KIRK's hobby is collecting old books on religion. In his library he has a sizeable accumulation of old volumes on religious subjects written during the 17th and 18th centuries.

Mr. KIRK is also an author of a number of religious articles, among which is "The Will Imperishable." He is now writing a book entitled "The Memorial of Memorials" treating with the Lord's Supper.

In addition to other civic activities Mr. KIRK is secretary and treasurer of the Topeka City Library.

★

GEORGE W. KUHNE, cashier, Lawrence (Kansas) National Bank is probably one of the best Spencerian penmen in the banking field.

At 17 Mr. KUHNE was a penmanship teacher in the Davenport (Iowa) Commercial College. Since then he has followed penmanship as a unique hobby. In his home he has a sizeable collection of the works of great penmen of the past.

The Farmers and Merchants National Bank of Los Angeles has a two-in-one bowling team and glee club. The bowlers won the Highland Park Industrial League championship and the singers have won the acclaim of civic groups



In case you need help, "Salina" in the picture signifies the town in Kansas. The five men comprise the bowling team that represent Salina Chapter of the American Institute of Banking



This peony display at the Commercial Merchants National Bank and Trust Company, Peoria, Illinois, advertising Defense Savings Bonds, is from the gardens of Vice-president T. G. Lovelace, who has 125 varieties

## There's a better way to be covered



The toll of robbery rises! Your business, large or small, needs the up-to-date protection of Burglary and Robbery Insurance as issued by Standard Accident of Detroit.

Low in cost, today's Standard policies insure against a wide variety of losses — through hold-up, safe-burglary, burglary or robbery of store and office contents, and damaged premises.

Act in time! Your local Standard agent or your own insurance broker can quickly provide you with Standard protection against this threat to business and home — and against loss due to automobile accidents; embezzlements; glass breakage; injuries to self, employees, or public; and similar hazards.

**STANDARD ACCIDENT INSURANCE COMPANY**

*Standard Service Satisfies . . . Since 1884*

RAYMOND C. WILSON, vice-president, First National Bank of Salt Lake City, recently elected president of the National Association of Credit Men, likes to get over the ground, into it and under it. His interests in golf, farming and mining form a counterpart of his city life as banker and civic leader.

A native of Denver, Mr. WILSON began his banking career in the mining town of Cripple Creek, Colorado. Prior thereto he was associated with many successful mining enterprises.

Since 1924 he has been active in banking and civic affairs in Salt Lake City. He also is treasurer of the New Park

Mining Co., operating the newest major mine to be developed in Utah, and is interested in other mining projects. As chairman of the livestock committee of the Salt Lake Chamber of Commerce and president of the Intermountain Junior Fat Stock Show, he promotes interest in livestock among farm youth and was recently made an honorary member of the Future Farmers of America.

Mr. WILSON has two sons—Clark L., geologist for the New Park mine, and Howard, a student at University of Utah. A daughter, Ruth M., is an assistant professor in the women's depart-

ment of physical education at University of Washington, Seattle.

Mr. WILSON is a past president of the National Bank Division of the A.B.A. and is a member of the Salt Lake Kiwanis club.

★

Should some bank in giving a banquet in celebration of say its 50th, 75th, or 100th anniversary get the idea of



serving dishes that were in favor during the period of its founding, it might check with ALLEN CRAWFORD, vice-president of the Bankers Trust Company, Detroit.

Mr. CRAWFORD is an expert on the culinary art of the past. Not only has he gathered a sizable collection of old cookbooks but, aided and abetted by Mrs. Crawford, he has tested and tasted many of the delectable dishes of a bygone day.

This is only one of many of Mr. CRAWFORD's hobbies. He was born with the collector's instinct, and in his home are many evidences of his accumulating habits, such as rare Dresden china, and gaily colored pottery jugs. He also collects first editions.

★

Miss NAOMI M. BOLEY, of the tabulating department of the Peoples-Pitts-



burgh Trust Company, is a talented artist. Although circumstances have



*A View of the Quarters of the Savings Department*

## CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

*Member Federal Deposit Insurance Corporation*



made it impossible for this young lady to study at one of the great art schools, she has taken a few lessons at night in local schools. Most of her training and inspiration, however, has come from her father, who was a painter of considerable ability.

★

HENRY S. KINGMAN, president, Farmers & Mechanics Savings Bank, Minneapolis, and former president of the Savings Division of the American Bank-



ers Association, has been elected a trustee of the Mutual Life Insurance Company of New York.

★

In eleven-year-old EULALIE DRAUGHON, daughter of C. O. DRAUGHON, assistant cashier, the Merchants National Bank, the city of Mobile boasts one of the youngest "newspaper women."

Eulalie has been writing reviews of children's books for the children's page of the Mobile *Press-Register* since she was seven years old.



Eulalie and Jeanette MacDonald

Outstanding were her front page stories of her interviews with Mrs.

Franklin D. Roosevelt and Miss Jeanette MacDonald. Eulalie is said to be the youngest newspaper representative ever to interview the "First Lady."

★

Recently 4,000 artillerymen and one-fourth that many guests sat down to a mass barbecue at Camp Berkeley in Texas.

The meat, 3,280 pounds of it, came from 15 show calves purchased at the Oklahoma state 4-H, and F.F.A. junior stock show and was furnished for the event by Oklahoma City businessmen to the 70th Brigade of the 45th Division in honor of Brigadier General RAYMOND S. McLAIN, commanding general

of the 70th Field Artillery. General McLAIN, absent on leave from his duties as president of the American First Trust Company of Oklahoma City, has long been active in support of the 4-H Clubs and Future Farmers of America.

The leading spirit in arranging for this massive banquet for the folks back home was WILLIAM P. KATIGAN, assistant cashier, First National Bank and Trust Company, Oklahoma City. Mr. KATIGAN is an honorary member of the F.F.A. and for his efforts, in connection with the junior live stock show, was recently presented with a gold key, emblematic of the prized Junior Master Farmer degree.

## Visit Us This Summer

**D**URING the vacation season, many of our banking friends will doubtless be passing through or near St. Louis, for our central location makes this city unusually convenient.

Why not make it a point to visit in St. Louis this summer . . . see the Lindbergh Trophies, the splendid Zoo, the world famous outdoor Municipal Opera. And, of course, you'll find a most cordial welcome awaiting you at Mercantile-Commerce. We hope you'll drop in and repay the calls of our representatives who have seen you during the past year.

### MERCANTILE-COMMERCE

Bank and Trust Company

SAINT LOUIS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

# Wage and Hour Law

*Are maintenance employees of a building, a portion of which is leased to tenants engaged in interstate commerce, themselves engaged in the production of goods for interstate commerce within the meaning of the Fair Labor Standards Act?*

**T**HIS is a difficult question to answer and is one which will have to be taken to the United States Supreme Court, for two district courts have given conflicting decisions. (The United States District Courts in the Southern District of New York and the Eastern District of Pennsylvania.)

Several hurdles must be taken before arriving at a conclusion. First, for the wage and hour provisions to be applicable, the employee must be "engaged in commerce or in the production of goods for commerce;" it is not enough that the employer is or is not so engaged. (See item on Legal Answer page, April 1941.) Second, inasmuch as in its definitions, the Act declares that "an employee shall be deemed to have been engaged in the production of goods if such employee was employed in . . . any process or occupation necessary to the production thereof . . ." an exploration must be made in the twilight zone of what occupation is necessary to the production of goods for interstate commerce. Third, notwithstanding favorable conclusions as to the interstate-commerce character of the occupation of the employee, is the employer a service establishment and therefore by reason of a specific exemption of service establishments, are the provisions of the Act inapplicable to his employees?

**T**HERE is no serious dispute as to the first factor that it is the character of the occupation of the employee and not that of the employer which is controlling. The Act is quite clear on that point. In the wage and in the hour provisions (Sections 6 and 7) the reference is to an employee "who is engaged," etc.

All three of the only known cases on this question considered the matter of whether or not the employee was employed in any process or occupation necessary to the production of goods for interstate commerce. The Appellate Division in *Killingbeck v. Garment Center Capitol*, (20 N.Y.S. (2d) 521, decided June 7, 1940) ruled that a watchman and a carpenter employed by the landlord were not engaged in an occupation necessary to the production of goods for interstate commerce. The watchman's duties were to patrol the corridors, stairs, basement, machine room, roof and tank house of the building. He was not permitted to enter the tenants' premises except in cases of emergency, such as a fire or a flood, in which event it would be his duty to procure the key from the night supervisor. The carpenter would erect walls and partitions, install doors and attend to various details in the preparation of premises

for new tenants. He would also make minor repairs to the premises when repair was necessary upon the order and upon the direction of the landlord. Neither the watchman nor the carpenter in the discharge of his duty had any physical contact with the raw materials nor the materials in process of manufacture or the finished product of the tenants.

The second case in point of time is that of the United States District Court in the Eastern District of Pennsylvania. *Fleming v. A. B. Kirschbaum*, decided April 2, 1941. (For a copy of opinion, see *Commerce Clearing House Labor Law Service*, Third Edition, Paragraph 60, 376.)

**H**ERE, too, as part of the consideration for the rent, the landlord furnished the services of watchmen and carpenters. He also supplied the services of elevator operators, an engineer, firemen and porters. The duties of the watchmen and carpenters were the same as those of the employees involved in the garment center case. The elevator operators carried both passengers and freight between the several floors of the building. The engineer supervised the operation of the boilers, which produced steam used by some of the tenants in their manufacturing operations, the various pumps in the building, and the production of direct electric current which was used to light the building and was also used by two of the tenants; he also kept the elevators in proper working order and took care of the sprinkler tank. The firemen fixed the boilers and occasionally supervised the running of the pumps when the engineer was called to another part of the building.

The District Court in Pennsylvania found that the activities of the employees involved in the case were "necessary to the production of the goods intended for interstate commerce manufactured by the tenants of the building. . . ." The court states its reasons in the following words: "The employees involved here cannot be excluded from the operation of the Act unless the word necessary is interpreted to mean indispensable. So to do would be to deny a liberal construction to a remedial act, contrary to the fundamental canon for the interpretation of statutes."

**T**HE court then had to overcome the remaining objection that the employer comes within the specific exemptions (Section 13) as a service establishment. The Pennsylvania District Court found that while unquestionably most, if not all, of the work done by the employees in this case could be properly described as servicing, the test must be the primary business of the employer. The selling or renting of space has been held to be a "manufacturing establishment," said the court. But, "however the defendant's business may be classified, it is not in my opinion a service establishment."

LESS than a fortnight later the United States District Court in the Southern District of New York took a contrary view on both the question of whether the occupation of the employee was necessary to the production of goods for interstate commerce and on the question of whether the employer was a service establishment. (*Fleming v. Arsenal Building Corporation*, decided April 11, 1941. Copy of opinion in *Commerce Clearing House Labor Law Service*, Third Edition, p. 60, 420.)

Here, again, the services rendered by the building employees are similar to those of the employees in the preceding two cases. Their duties were limited to heating the building, keeping it in repair, protecting it from damage wherever damage is threatened, cleaning the public halls, stairways, toilets and other spaces occupied by the various common utilities of the building, and operating freight and passenger elevators for the tenants, their employees and the persons who carry the goods of tenants to and from the building.

THE court in this case, speaking through Judge Woolsey, said as to the legislative intent with respect to the jurisdiction of the Act: "... when the Fair Labor Standards Act of 1938 was passed the intent of Congress was that its ambit should be narrower than the ambit of the National Labor Relations Act, and, consequently, it seems perfectly clear to me that the employees of the defendants are not to be considered as included within the Fair Labor Standards Act of 1938. The acts of these employees might 'affect commerce' but I find that they did not function in the 'production of goods for commerce'..."

Judge Woolsey further found that the facts brought out "proved beyond any peradventure that the defendants ... were 'service establishments,' all of whose servicing was in intrastate commerce..."

The Administrator of the Wage and Hour Division contends that the phrase "service establishment" includes that large miscellaneous assortment of business enterprises similar to retail establishments in character, but which may not be accurately classified as such. "Service establishments are usually local in character, are usually open to the general consuming public and usually render a service to private individuals for direct consumption."



**A**SSETS and liabilities have value as advertising copy, but the public is inclined to appraise banks by what they do rather than by what columns of figures show them to be.

The type of service, adequacy of facilities, character of management—these are factors that produce the results reflected in a strong statement of condition.

... THE ...

## **PHILADELPHIA NATIONAL BANK**

ORGANIZED 1893

PHILADELPHIA, PA.

**Capital, Surplus and Undivided Profits**

**\$45,000,000**

*Member of Federal Deposit Insurance Corporation*

# METHODS and IDEAS

This department of **BANKING** is conducted by our **Methods and Ideas** reporter, **John J. McCann.**

## Stamp of Approval

A DISTINCTLY NEW method of stimulating the Government's Defense Bond sale program was devised by THE FIRST NATIONAL BANK of Glens Falls, New York, in connection with the state convention of Young Republican Clubs held in that city. Each delegate received an attractive personalized folder to which a 10 cent Defense Savings Stamp was attached. With the stamp appeared a patriotic message. (See illustration at the right.)

On the folder also was a personal welcome addressed to the delegate—not as a delegate, but as a visitor to Glens Falls.

This original goodwill promotion was conceived at one of the meetings of the First National's officers, who gather daily for a few minutes for exchange of ideas and discussion of plans for the bank's work.

## Institutional

THE BANK OF MONTREAL does a stout institution job—one aimed at keeping public morale on an even keel in the present supreme war effort. Current newspaper advertising shuns

the screaming headlines and flag waving and presents the facts on the daily service rendered by the bank to Canada's vital industries.

## Ducks Unlimited

CARL WENTE, president of CENTRAL BANK, Oakland, California, and noted as a sportsman, spent several weeks arranging a realistic duck pond in the bank which urges sports lovers to contribute to Ducks Unlimited, an organization to save American duck breeding grounds in Canada.

The beauty of the natural duck pond, built on a huge table inside the Broadway entrance of the bank, may account

for the constant cheerful clinks in the "Duk-a-Nikel" cans. It was arranged through cooperation of display advertising men from Oakland's leading department store, Oakland's Snow Museum, and a nationally-known artist from the University of California.

"Saving is an important part of a banker's life", Mr. Wente says, "and we think it's just as important to save ducks as dollars. We urge every sportsman to do both."

The oil and watercolor paintings in the CENTRAL BANK display are by Harry Adamson, young artist in the museum of vertebrate zoology at the University of California. Adamson is known for his photographs of wild life.

Nickels for ducks



## THE STAMP OF APPROVAL



Every liberty-loving American, rich or poor, regardless of creed, color or party affiliation, will respond to the call to help defend this nation and the principles on which it was built.

Purchase of U. S. Defense Bonds is more than just an investment. It is evidence of your approval of and desire to participate in the defense of your country.

The attached stamp is presented to you by The First National Bank of Glens Falls with an invitation to adopt it as your "Stamp of Approval" and as evidence of your enrollment in the Defense Bond Program.

Stamps and bonds may be purchased at your own bank or post office.

Buy a bond today!

The First National Bank of Glens Falls by means of this folder welcomes you not as a delegate to a convention, but as a visitor to this city of which we

Glens Falls bond booster

## Liberty Check

THE FIRST NATIONAL BANK of Boston issues a new specially designed customer's check symbolizing Boston as the Cradle of Liberty. Called the "liberty check," it is an extension of the service rendered to depositors by the bank, and, for its timely motif, is being received enthusiastically. The checks feature a pantagraph background design illustrating some of the city's most treasured and historic possessions that have played leading roles in winning for the city the distinctive honor—Cradle of Liberty. Here again is more evidence of the definite trend toward goodwill and community promotion on bank checks.

## Real Estate

JAMAICA SAVINGS BANK (Long Island, New York) recently launched a promotion campaign to stimulate the interest of brokers and prospective home-buyers



in the bargain opportunities in used homes available through the bank's real estate department. An attractively illustrated 20-page brochure was mailed to 1,000 brokers as the first step in the campaign. It contained photographs and detailed descriptions of 60 Long Island homes, as well as pertinent information on other residential and business properties. Prices range from \$3,000 to \$20,000 and include a wide variety of accommodations and architectural styles in most of the leading communities of Queens and Nassau counties. This type of direct promotion has invariably proven effective.

### Bond Envelope

THE ROYAL BANK OF CANADA makes a bid for safe deposit box sales on every Victory Loan Bond sale through home and branch offices. The vehicle is a manila document envelope with a strong sales appeal on the face side. Copy notes that the bond is a valuable document which, for a few cents a month, may be protected along with insurance policies, keepsakes and other valuables in a safe deposit box. Here is another example of profitable and practical service selling on an item which institutions on both sides of the border handle in the spirit of national and public welfare.

### Tax Anticipation

THE AMERICAN NATIONAL BANK AND TRUST COMPANY of Chicago has announced the inauguration of an income tax anticipation plan as a service to its customers and others in its community in accumulating funds to meet their greatly increased income tax obligations next year. The plan has the automatic features of special club accounts, but the accounts will be carried in the savings department and will be served

The Dime Savings Bank of Brooklyn, N. Y., is one of many institutions that have employee flower shows. President Philip A. Benson, right, and Prizewinner Vincent Nyary at the recent show



in the same way as a regular account.

If the customer has a checking account, the bank will on the first of each month automatically transfer a specified amount from this account to the tax anticipation account. Second, the bank will, at the depositor's request, mail him on the first of each month a reminder statement of the monthly deposit he wishes to make to his tax account. Or third, the customer may maintain the tax account like a regular savings account, making deposits in any amount on any date he chooses. In all cases, the bank's "save by mail"

plan may be used if more convenient for the depositor.

Customer announcements of the plan were issued with June statements by means of a descriptive folder entitled "Getting Ready for Increased Income Taxes". Employee bulletins enlisted cooperation on the "contact line". Announcement folders were also mailed to thousands of non-customers in the higher income brackets and the whole effort is supported by newspaper advertising. Correspondent banks have also been given permission to adapt the program to local communities.

By keeping constantly in touch with all important developments in Michigan business and industry, we are enabled to provide banks and bankers throughout the country with an extremely broad and helpful correspondent service.



## NATIONAL BANK OF DETROIT

Complete Banking and Trust Service

DETROIT, MICHIGAN

Now Going to Press —

## OLIPHANT'S EARNING POWER OF RAILROADS for 1941

(formerly Mundy's Earning Power of Railroads)

**M**ORE Comprehensive than Ever—Factual—Complete—Authoritative—Concise—Oliphant's Earning Power of Railroads is now published for the 36th year. As in the past, the work is edited by Mr. Floyd W. Mundy; its value to those interested in rail securities and earnings has never been greater than at present.

Because of increased cost of production, and the growing demand for this internationally known work, we are compelled to charge \$4.00 for this volume in order partially to cover our outlay. You may make sure of securing your copy (the edition this year is strictly limited in quantity) by checking the coupon below, attached for your convenience.

### JAS. H. OLIPHANT & CO.

Members New York Stock Exchange

61 BROADWAY, NEW YORK

209 So. LA SALLE ST., CHICAGO, ILL.

Please forward ..... { copy of  
"Oliphant's Earning Power of Railroads,"  
1941 edition, with bill at rate of \$4.00 per  
copy, which includes postage and tax.

Name .....  
Address .....  
.....



## Copper and Brass eliminate rust-burden and reduce depreciation!



In these two ways the house built with non-rust Anaconda Metals is a better risk for mortgage money. Freedom from rust-repairs means just that much greater solvency for the mortgagee and that much greater value for the house in later years.

Building materials such as brass or copper water pipe, Everdur copper-silicon alloy hot water tanks, copper sheet metal work and bronze screens, cost so little more than rustable products that, in terms of service rendered per year, per dollar, they are far more economical.



### Anaconda Copper & Brass

THE AMERICAN BRASS COMPANY  
General Offices: Waterbury, Conn. Subsidiary of Anaconda  
Copper Mining Company. In Canada: Anaconda American  
Brass Limited, New Toronto, Ontario. 41221

### Mortgage Plan

DIME SAVINGS BANK (Hartford, Connecticut) is merchandising a new mortgage plan called "family protected home finance." For a small monthly premium added to the regular mortgage payment, the buyer is guaranteed, under a special form of life insurance, that his dependents will be mortgage-free in the event of death. The current advertising series features a cheerful appeal, illustrating happy scenes of contented family life. Other varied tacks have been used: the negative angle and the so-called "double feature"—showing twin babies, twin dogs, etc. Copy in every instance highlights the double feature of the bank's plan. First, the low cost amortization—\$5.85 per \$1,000 monthly borrowed on a 25-year term. Second feature is the special insurance with a monthly cost of 53 cents for each \$1,000 borrowed by a man 30 or more years old.

### Million Dollar Club

FARMERS NATIONAL BANK (Salem, Ohio) launches a new club idea adapted from the Government's Defense Savings Bond principle of interest accumulations. The major feature of this "Million Dollar Thrift Club" is that the rate of interest increases with each year the depositor carries on the program. It provides for regular monthly deposits for 48 months to accumulate specified amounts ranging from \$250 to \$1,000 and up. Interest payments run 1 per cent for the first year, 1½ per cent for the second, 2 per cent for the third, and 2½ in the fourth year. On a completed club, according to the original schedule, the total interest return is approximately equivalent to 2 per cent compounded semi-annually. There are no fines or penalties in the club operation. However, partial withdrawals are not permitted. Complete withdrawal may be made upon 30 days notice.

### Winter Is Coming

NOW THAT SUMMER is here there's bound to be a lot of procrastination about fixing up the home for the on-coming Winter—human nature being what it is. But the STATE-PLANTERS BANK AND TRUST of Richmond gives the local home-owner a gentle prod just about the time the garden blooms and thoughts about Winter are far away. In a recent newspaper advertisement the bank illustrated a sketch of a battered and beaten home with the caption: "What a licking I took last Winter!" Copy goes on to question whether the thaws, snow and ice and other acts of nature caused the home to run down to the point of making repairs disagreeably evident. It also suggests new heating, caulking and weather stripping, new rooms and other modernization. Tied to this is an effective presentation of low-cost FHA loans.

To help celebrate its 91st birthday the City and County Savings Bank, Albany, New York, had as party guests men and women living in 1850, the year the bank was founded



J. A. GLEN  
BANKING

## Tax Club

COLONIAL TRUST COMPANY, Pittsburgh, adopts another version of the current emphasis on income tax anticipation thrift plans. While the plan follows a regular club program of systematic deposits in advance of March 1, 1942, it gives the individual member something to shoot at. The company distributes an attractive folder containing a table of contemplated taxes on 1941 earnings for various income brackets.

This folder and a letter from President McClintock was mailed to all personal loan, appliance, FHA and automobile accounts and to both checking and savings account customers. A promotion campaign for the public was initiated in local newspapers, supported by window and lobby displays.

## A Defense Project Department

THE NATIONAL BANK OF COMMERCE, San Antonio, Texas, has appointed an officer as a defense program liaison man. He is specially delegated to work in cooperation with members of the local manufacturers association in their defense problems.

"We have weekly meetings to discuss the possibility of handling national defense projects, primary or secondary," explained Henry M. Hart, vice-president. "The purpose is to see if we can cooperate with local concerns in supplying any financing that might be needed to handle such contracts, and to keep posted ourselves to see how local concerns are facing defense spending."

The bank has an associate membership in their organizations which keeps it posted on every development and gives it first hand information if any contracts are available to local manufacturers.

"They appreciate this service and also the bank's interest. We are frequently able to supply them with valuable information because we subscribe to a number of services coming out of Washington, D. C., and New York City, showing spending projects and things the Government is going to require," Mr. Hart says.

## Bond Club

SOME 100 BANKS over the country have established the United States Defense Savings Bond Club under a system designed by Christmas Club, Incorporated. The plan provides six different classes—three for each of Series E and G. Twenty-five weekly deposits of 75 cents, \$1.50 or \$3 accumulates the purchase price of the Series E \$25 to \$100 bonds. Deposits of \$2, \$10 and \$20 weekly for 50 weeks buys the Series G bonds—\$100, \$500 and \$1,000. In most instances, the regular coupon passbook is used. Upon opening a bond account the customer is required to sign a special form indicating his intention of applying the completed club deposits to the purchase of a bond. The form also authorizes the bank to make the purchase, in the name of the individual, automatically at the completion of payments. In the event the member fails to complete his agreement, the bank is authorized to deduct a 50-cent handling charge.

## House Organ

HERE'S A THOUGHT for special house organ issues—borrowed from a recent issue of the *News*, monthly publication of the TOWER GROVE BANK & TRUST COMPANY, St. Louis. An issue devoted to the local or nearby training camp is bound to promote goodwill. The *News* did a good job on Jefferson Barracks. A staff photographer spent the day with "Private John Doe"—snapped him rising at 5:45, at mess, drill, study, recreation and to bed at 11 p.m.


July 1941



**Y**OUR trust advertising must run on, year to year, to keep the flow of new business from slowing down.

Two-thirds of all wills probated are made within 5 years of the testators' deaths. Therefore, two-thirds of the estates you begin to administer in 1945 will probably be placed under your management by wills made between now and then.

NOW is the time to plan, and begin using, effective trust advertising, to insure future trust department earnings. Many successful trust institutions would translate that: "Now is the time to invite the Purse Company to submit a proposal, without obligation to you."

**PURSE**   
THE PURSE COMPANY  
CHATTANOOGA, TENNESSEE

Headquarters for Trust Advertising  
BOSTON NEW YORK CHICAGO LOS ANGELES

## Curb Teller Service

A CURB "TELLER WINDOW" has been installed by the AMERICAN NATIONAL BANK, Portsmouth, Virginia, for the convenience of its customers.

The device was developed by engineers of a New York City electrical concern from the ideas of Frank D. Lawrence, vice-president of the bank, who is also a member of the Portsmouth City Council.

The "teller window" is a metal box with bullet-proof glass and special bronze fittings at the front. While the teller—several feet below the level of

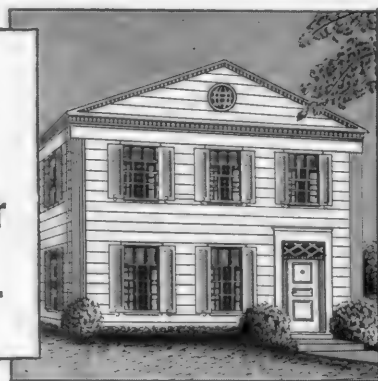


LENS & LETTERS

the sidewalk—can be seen and can see his customers clearly, he is safe from robbers. A periscope system is used.

## HOMES

Designed and Built for  
Sound Investment . . .



## 26 LEADING AMERICAN ARCHITECTS DESIGN 50 PATTERNS OF MODERN HOME VALUES

These 50 homes of the 4-Square Home Building Service meet every requirement of basic, all 'round home value. They represent the most substantial type of security because they're designed and engineered by outstanding authorities in home design. Blue prints and specifications are available to your clients through 4-Square Lumber Dealers.

They're the type of homes that deliver utmost satisfaction in comfortable living because they include modern, practical features supported by strong, rigid construction. People are eager to pay for them and own them completely.

Architects have designed for enduring beauty by adhering to traditional, accepted design. They have planned for the features women want — comfortable, convenient room arrangement, utmost usable space and adequate storage. Engineers have de-

signed enduring structures that men insist upon. Their blue prints define the principles of good construction, specify strong framing, rigid bracing, ample insulation, rigid sheathing, sub-flooring and roof.

We'd Like to Send You This Book of Fifty 4-SQUARE HOMES

With these home designs, Weyerhaeuser is endeavoring to point the way to greater consumer value through better design, construction and materials. These Fifty 4-Square Homes are varied in size, style and price. They are F.H.A. approved. They can be built as they are or used as patterns for modification or rearrangement. We'd like to send you the Book of Fifty 4-Square Homes — and the High Cost of Cheap Construction, a clearly illustrated presentation of the right way to build. Write today.



**WEYERHAEUSER  
SALES COMPANY**

2052 FIRST NATIONAL BANK BUILDING  
SAINT PAUL, MINNESOTA

## 4-SQUARE LUMBER

Improved, ready-to-use 4-Square Lumber is the best and most economical material for home construction. Correctly seasoned and available in a species and grade for every structural need. It is precision manufactured. Exact lengths and sizes eliminate needless savings, fitting and material waste. This saves time and materials in construction. Its squared ends and edges make for tight joints, full bearing and better workmanship.

Copyright 1941, Weyerhaeuser Sales Company

A button rings a buzzer if it is necessary for the customer to attract the teller's attention. Conversation is carried on by means of a two-way electric speaking system with the master unit on the teller's desk. An electric elevator stays on the teller's desk when the window is not in use. When a customer is recognized the teller presses a button that sends the elevator up to the ledge that is at the right height to be reached by anyone in an automobile. The bronze door of the window automatically opens, giving the customer access to the tray in which a spring and lever are arranged to hold the bank book and deposit securely on the trip down to the teller.

As the elevator starts down, the bronze door closes and remains so until the bank book is returned to the depositor. By means of the mirror arrangement the depositor can watch the teller count his deposit and make the entry.

Pedestrians may also use the "teller window" if the lobby of the bank seems too congested.

## Vault

THE WORLD'S FIRST all-welded, flood-proof safe deposit vault successfully passed flood condition tests recently. Located in the new home office building of the NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY and jointly shared by the MERCHANTS NATIONAL BANK of Boston, the vault is the first to be constructed in the light of experience with flood damage during the hurricane of September 1938. It is 46 feet long, 18 feet wide, and 25 feet high, and is surrounded by reinforced concrete walls



from four to seven feet thick, which also form part of the building's massive foundation. Within these outer walls is a 200-ton steel lining electrically welded four times at every seam and joint. To guard against cave-in by water

**BANKING**



pressure, the lining with its arched steel ceiling is reinforced throughout by 12-inch "I" beams. For each of the two stories of the vault there is an 11 by 4 foot, 24-ton door, which provides a final complete steel-on-steel seal, polished to a precision tolerance of less than 1/2000 of one inch, for the full thickness of 20 inches. A 7-foot additional shield, consisting of layers of reinforced concrete, sand, and broken stone is set above the vault. This, in the opinion of the engineers, will withstand the shock of any bombs yet used in the European conflict.

### Vacation Loans

THE CLEVELAND TRUST COMPANY adopts a facsimile railroad ticket to present its story of personal loans for vacation purposes. Printed on green safety paper, cut to the usual ticket size, bank copy appears in the typically ruled sections. Destinations listed are:

ISSUED BY

**The Cleveland Trust Company**

PERSONAL LOAN DEPARTMENT

**"The Short Route to Vacation Funds"**

QUICKLY OBTAINABLE  
AND  
Good Any Time Desired for  
**ROUND TRIP PASSAGE**

Consider this your inspiration and incentive toward getting somewhere this summer, whether it be for travel, study, or self-improvement through any plan you may have in mind.

In sending you this "make-believe" ticket, the Cleveland Trust Company hopes that it can act as the Agent for your transportation to your summerland of pleasure and advancement.

Form  
S-24-S

*W. H. Hyle*  
Manager Personal Loan  
and Finance Department

**THE CAREFREE ROUTE TO RECREATION**

**NORTHERN OHIO**  
TO  
*The Vacation Spot of your Heart and Return*

DESTINATION  
Form S-24-S  
TICFPL

**THE PROFITABLE WAY TO VACATION STUDY**

**NORTHERN OHIO**  
TO  
*The Summer Improvement Course  
You've Always Wanted and Return*

DESTINATION  
Form S-24-S

The vacation spot of your heart and return; the Summer improvement course you've always wanted and return; the realization of general Summer aims. Styled the "short route to vacation funds," issued by the personal loan department, the copy in the first section invites the recipient to consider the make-believe ticket an inspiration and incentive toward getting somewhere this Summer, whether it be travel, study, or self-improvement. The format is an eye-stopper. This piece is enclosed

with a cordial note to selected prospects signed by the manager of the personal loan and finance departments. Vacation loans offer deferred first payments to October.

### Opportunity Farms

IN THE YEARS following the 1929 crash, METROPOLITAN LIFE INSURANCE COMPANY found itself, like most others, saddled with a large number of dilapidated farm properties, obtained through foreclosures. In such condition resale was out of the question. Here is the interesting solution: In 1933 the company embarked on a long-range re-

habilitation and marketing program. The adoption of this policy transformed thousands of farms in widely separated areas of the country into going concerns. Buildings were repaired and modernized. Soil fertility was restored through fertilization and crop rotation. In 1938 a sufficient number had undergone this reconditioning and were ready for sale. Small test marketing campaigns on "opportunity farms" were tried in several sections. Now a full-scale national campaign is well underway with results exceeding all expectations. Not only has the response been large, but it also has been intelligent.



**Getting Your  
"PREMIUM'S WORTH"  
Every Day**

Relaxation is a "must" today as nerve strain takes its toll. By protecting against loss, sound insurance also protects against worry. If your policies are in Fireman's Fund, you have a right to feel secure — to enjoy mental comfort every day in the year.

**Over 11,000 Home-Town Agents**

*Let's work TOGETHER for America*

**FIREMAN'S FUND GROUP**

*Auto • Automobile • Marine • Casualty • Fidelity • Surety*

**FIREMAN'S FUND INSURANCE COMPANY**

HOME FIRE & MARINE Insurance Company

**OCCIDENTAL Insurance Company** SAN FRANCISCO

**FIREMAN'S FUND Indemnity Company**

**OCCIDENTAL Indemnity Company**

New York • Chicago • Los Angeles • Boston • Atlanta

**DEPENDABLE INSURANCE SINCE 1863**

# New Homebuilding Techniques

(CONTINUED FROM PAGE 29)

frequently, the pitched roofs. Some use plywood, some wall board. Some use the glued method of panel construction. Others find a nailed system satisfactory, and may even construct their panels wholly of lumber in this way.

What number of houses have been constructed embodying in some degree or other the principles developed by the Forest Products Laboratory it is not possible to say. Certainly, no major displacement of old methods has taken place. But the rapid growth of the

plywood industry is at least one indication that the new methods are spreading. They have been used almost exclusively in the construction of one-story, detached, single-family houses, usually with two or three bedrooms, where standardization of parts could be most easily effected, and where the demand for individualized arrangements is less a sales factor than it is in larger, more expensive dwellings.\* The

\* There are exceptions. At least one manufacturer has concentrated his efforts on dwellings priced at \$7,500 and upwards.

increasing number of houses built in the small, low-priced class—a new phenomenon in the housebuilding business—may also indicate the increasing adoption of newer and more economical methods.

The foregoing has been far from inclusive of all the new systems that have been devised. It would take a large book to do this, and a loose-leaf book at that, so rapid is development and so frequent is change. Experiment continues.

One of the most active seats of experiment is the Pierce Foundation of New York City. Here research has recently developed a wall section that appears to combine structural soundness with unusually low cost. It is made up of post-and-lintel wood frame (somewhat resembling in principle steel skyscraper construction) with the rectangles formed by the frame filled in with a two-inch material composed of a core of fiber insulation board surfaced on both sides with asbestos cement.

THE question may be raised as to why progress has not been more rapid. Several reasons may be cited.

In the first place premature merchandising of the early models created a public skepticism that has plagued the industry ever since. Mortgage lenders have remained cool. Moreover, the new methods have created problems in the use of materials and more particularly in distribution of the finished products that have not yet been wholly solved. These situations will be covered in later articles.

Equally serious have been the restraints encountered from building codes, from craft labor rules, and from subcontractor opposition, all of which have combined to exclude the new methods from many important market areas. These restraints have affected the development of satisfactory methods of distribution, and have constrained the new methods to the same small scale mold that has always afflicted the traditional organization of the business. As a result, the possibilities of cost reduction inherent in the new system have rarely, if ever, been fully realized.

But though progress has not been spectacular, it has, since the first setbacks, been steady. Today the lumber and plywood (or wall board) systems following the principles developed by the Forest Products Laboratory appear to predominate, but several steel framed panel systems continue to be marketed. Both methods have begun to find a place in the defense housing program.

## For More Than 50 Years

Many of the oldest and strongest banks and trust companies in the United States maintain correspondent relationships with Central Hanover.

For example, 159 American banks have been correspondents continuously for more than half a century.

**CENTRAL HANOVER  
BANK AND TRUST COMPANY**

NEW YORK



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## Pay As You Go Accounts

To the Editor:

A REPORT recently issued by the Financial Advertisers Association on "pay-as-you-go" checking accounts makes the unqualified assertion that such accounts "may be handled at a profit to the bank."

The committee by which the report was prepared also presumes to advise its readers that the "5 cents-per-item" plans generally, and one of them in particular (which, although not named, is nevertheless pretty clearly identified) "assure a greater income and profit" than the "buy-a-book" plans.

It is difficult to understand how such assertions can be made in the face of the following admission which appears on page 9 of the report:

The most difficult figures to obtain in our survey were those relating to the cost of putting pay-as-you-go accounts on the books and cost of operation. Our questions, though seemingly clear, were either ignored or answered in so many different ways we cannot even attempt to include them in our tabulation.

Since the profitability of any activity cannot be definitely established without a reasonably accurate knowledge of the costs involved, is it unfair to say that the profitability of many types of "pay-as-you-go" accounts is still open to question, the F.A.A. report to the contrary notwithstanding?

ONLY those who accept the conclusions reached in the F.A.A. report without reading the report in its entirety are apt to be misled. A careful reading of the entire report will demonstrate the conclusions (at least insofar as they concern profitability) to be based on incomplete and therefore misleading cost data.

The attention of those who may have forgotten it is directed to Bank Management Booklet No. 18 published by the Bank Management Commission of the American Bankers Association in 1937.

Those considering the adoption of "pay-as-you-go" service would do well to study it again before embarking on such a venture.

THEODORE ROKAHR

Vice-president and Treasurer  
First Bank and Trust Co.  
Utica, New York

IN DAILY CONTACT

WITH THE

*Industrial Center of America*



This bank is in daily touch with the great upsurge of industry in the vital Great Lakes area.

We serve many of the industries which help this region do 40% of the nation's manufacturing—iron and steel and shipping, automotive and airplane parts, rubber, glass and building materials.



GEARED TO THE NEEDS OF THIS VITAL AREA

Our organization and facilities have been expanded to meet the ever-increasing needs of the Great Lakes industrial region. A correspondent relationship with this bank assures prompt and efficient handling of your requirements.

★ ★ ★ ★ ★



CENTRAL NATIONAL BANK

OF CLEVELAND

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

# The Answer Nobody Questions

(CONTINUED FROM PAGE 23)

full—they must pay their share of the taxes and they must lend heavily to the Government which is the distributor of the purchasing power.

The total population of the United States at the end of 1940 was 131,669,275. This figure is a little too exact to be reassuring, but since it is official we will take it in stride. It is generally assumed that approximately 77 million out of an approximate 132 million have some

income. They receive wages, salaries, rent, interest, dividends, or any combination of these recognized forms of purchasing power. The remaining 55 million are dependent women and children and other types of dependents. It is common practise to say that something over 80 per cent of all who receive income get less than \$2,000 a year, but it is interesting to note that 6,300,000 income tax returns were filed in 1939 covering the

calendar year 1938. The Treasury has recently estimated that 15 million income tax returns were filed in 1941 covering income received during the calendar year 1940. The number of income tax returns in 1941 may well be in excess of 20 million. Being rich is a relative matter. The man who receives \$2,000 a year is rich in the eyes of the man who gets only \$600.

Now, as regards the distribution of the Federal debt presently outstanding, the figures are being compiled by the Treasury and have not yet been released. There are, however, some fairly good estimates concerning the total tax-exempt Government debt which is held within the country. Fifty-five billion dollars in tax-exempt securities were distributed as follows: 21 billion dollars were held by banks other than mutual savings banks; nearly 4 billion dollars by mutual savings banks; 8 billion dollars by tax-exempt institutions, other than mutual savings banks; 2½ billion dollars by corporations other than banks and insurance companies; and 18 billion dollars by individuals. These figures include issues by state and local governmental units in addition to the Federal securities.

*If the principle of borrowing is so simple that all we have to do is "charge it", there must be a virtually endless source of lenders relatively few of whom will be individuals. There is a very clear-cut discussion of the principle involved in one of the January issues of "Barron's" in which the author, Waller Von Tresckow, summarizes his arguments as follows:*

*"The present New Deal group, which believes in state spending, its soundness and indefinite continuance, ignores the experience of the race in this respect. The grave error in this policy is that it rests on the assumption of a fixed or growing amount of wealth that can be taxed for the purpose. Actually the very opposite is the case. The very essence of the process is a constant subtraction from the formerly accumulated wealth that can be taxed, as well as a decrease in the incentive toward accumulation. Therefore, any spending program is self-defeating in the end."*

Pure economic theory is a euphemism. Was the doctrine of the mature economy pure? For a decade it tried to prove that all saving had gone out of style, then a national emergency arose and the sayer straightway became a hero. It reminds one wistfully of Kipling's "Tommy Atkins", who couldn't buy a beer in the pub, but who was "Mr. Atkins" when the guns began to roar.

Now, as to the nature and extent of

## ALWAYS READY

A feature of this bank's service to other institutions throughout the country is its willingness to take care of difficult matters in the same efficient manner as it handles ordinary transactions. We are always ready to help whenever you have an unusual problem in New England.



## The National Shawmut Bank

40 Water Street, Boston

Member Federal Deposit Insurance Corporation

## "MORE PER DOLLAR than from any other expenditure"

—says Important Chicago Bank!

"We feel that we have secured more per dollar in appearance and publicity from our Stanley Magic Doors than from any other expenditure," reports a large Chicago bank.

Stanley Magic Doors will give any building an important "plus", in appearance and in practicality. Swinging wide automatically at your approach, closing when you've passed through, these doors relieve congestion—cut heating and air conditioning costs—distinguish an entrance as nothing else will. Write today for folder giving full details, and learn how Stanley Magic Door equipment can be installed right on your present doors! The Stanley Works, Magic Door Div., New Britain, Conn.



## STANLEY MAGIC DOORS

Require No Hand To Open



the Federal debt, there is room for the discussion which the Professor invites. This is an immensely wealthy country and we can probably take care of a very large debt, but we must reckon state, county, district, and municipal debt in the total. Should all of these be boundless and perpetual? Should the subdivisions of government have the right to issue debt without regard to anything but interest payments? Examples from history are often treacherous because, as the Professor reminds us, history is a course of change during which the old gives way to the new. Britain was able to "consolidate" her debt, from whence derived the word "consols," at a time when she was the world's banker, oper-

ating an immensely profitable imperialism, but the strain which a world war put upon her actually caused a necessary repudiation of a very considerable portion of that debt. Perpetual debt is a fantasy in which all of the hand-out party will rejoice, but there is not any such thing, for the simple reason that a modern scientific industrialism has to be maintained. It is constantly in the process of wearing out.

If some form of capitalism is to survive the present onslaughts of taxation and borrowing there will have to be a continuous supply of lenders. The word "borrower" is a relative term. It is like "valley" and "uncle"! It depends on lenders as the valley depends on mountains and the uncle depends on nieces and nephews. It is suggested that people will lend for nothing and for less than nothing. That they will be glad to have the state become the custodian of their funds and that they might be willing to pay a premium for security rather than enjoy interest for risk. However, in order to pay the lenders the principal when they want it, the state must have a new supply of lenders, confident and possessing. Therefore, all the time it is distributing bounty for roads, free medicine, free music, etc., it must be encouraging the private enterprise which is the sole source of lending as well as of taxation, unless we contemplate a socialistic state and this eventuality the Professor abjures. Instead of reaching the highly theoretical equilibrium where taxation will balance interest we will witness as we do today, the steadily rising deficits which constantly invite the temptation of some form of repudiation. When the state can no longer pay these debts out of income it will do so with money which is provided for the purpose.

Is there, Dr. Leacock, any essential difference between a non-interest bearing government bond, and a non-interest bearing \$1,000 government note, or \$1,000 Federal Reserve note? Is the printing press process of repudiation any different when the Government is printing bonds instead of money? Some day the lenders and users of money will by common instinct decide that they prefer goods to money. In spite of the sneers from the neo-economists, confidence is one of the prime essentials for government borrowing as well as for government issue. When men prefer goods to money or debt the inflammatory phase of inflation reaches the bonfire stage, and practically all the creditors are wiped out. But the ghoul laughter from the debtors is soon si-



## Fidelity & Surety Bonds

### Blanket Bonds

### Burglary & Forgery Insurance



## NATIONAL SURETY CORPORATION

VINCENT CULLEN  
President

July 1941

## THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

**Service**—Maintaining an intimate, personalized correspondent bank service.

**Experience**—Officials with years of service in this field, assuring a knowledge of requirements and valuable assistance.

**Policy**—To cooperate with out-of-town banks rather than compete for business which is rightfully theirs.



Resources over \$175,000,000

ESTABLISHED 1908

MEMBER  
NEW YORK CLEARING HOUSE ASSOCIATION  
FEDERAL DEPOSIT INSURANCE CORPORATION

## THE TEXAS CORPORATION



155th Consecutive Dividend paid by The Texas Corporation and its predecessor, The Texas Company

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Corporation has been declared this day, payable on July 1, 1941, to stockholders of record as shown by the books of the corporation at the close of business on June 6, 1941. The stock transfer books will remain open.

L. H. LINDEMAN  
Treasurer

May 23, 1941

The Index to volume xxxiii of **BANKING** will be available to subscribers shortly. Copies are free upon request.

lenced as goods and services become scarce and the standard of living falls.

The moneylenders have always been despised. The holder of the mortgage on the Professor's Canadian farm was probably a big bad squire or a heartless banker, or even a cruel life insurance company, but the stark fact remains that if the Leacock family or their predecessors had not been able to borrow money there would have been no homestead on the upper Canada farm. It would have remained a section of wilderness. It is true that debt has become probably the major part of our monetary system. It is true that a country of

wealth can support a heavy indebtedness, but it must have a lending class, the members of which will not all be rich. The bulk of funds will come from the multitude of small lenders and as the debt increases, the Government will be increasingly dependent on those who are willing to save at personal sacrifice. The debt capacity of any government is the confidence of that group not only in the intention of its government to pay, but in its capacity to pay. Nowadays the old people do not hear "the thunder in the evening." They make it. The demands for bounty put all the thunder makers to shame.

There must have been a twinkle in Professor Leacock's eye as he wrote about this new Utopia which is to be constructed out of unlimited debt. On August 7 of last year the New York *Sun* published some interesting statistics on income taxes. Fifty-seven persons had incomes of more than one million dollars, only three of which had incomes of 5 million or over. Let us suppose that distributive justice calls for a tax which will take all. The grand total would be something around 110 million, which would be just about enough to build a firstclass battleship.

The only recent study on the distribution of the total income is one conducted by the National Resources Planning Board as a relief project under the WPA. It covers the years 1935 and 1936 and cost 10 million dollars. Eventually the findings will appear in 30



CHICAGO LANDMARK  
—the famous Field Museum.  
In the field of finance, too,  
Chicago has her landmarks.  
Outstanding among them is  
The Northern Trust Company,  
founded in 1889.

## EXPANDING THE USEFULNESS OF OUT-OF-TOWN BANKS

Through many years The Northern Trust Company has taken the time to build close, friendly relationships with its banker customers. It has also long followed the practice of making available to them facts and figures with which to reinforce their own customer service. Therefore, in addition to the usual routine transactions, the cor-

respondent who forms a connection here benefits from our cooperation with him in broadening his usefulness to his customers and in making available to his bank essential information that is often not obtainable locally. Your bank may find such a correspondent connection of helpful and practical assistance. Inquiries are invited.

# THE NORTHERN TRUST COMPANY

50 SOUTH LA SALLE STREET

Member Federal Deposit Insurance Corporation

★

★

*AGAIN*, we are grateful to Professor Leacock for calling attention to the vagaries of the term "national income". The figures are worse than "glorified guesswork." They are subtle instruments of deception. If all income were distributed by the Government and nobody worked, the money or whatever evidence of income was distributed would be worthless. National income has its sole source in the productive effort of the people. Ever since the term was invented the analysts, both private and governmental, have included the expenditures of Government in the totals of national income, but the Government's expenditures were made possible by taxation on productive enterprise. What we really talk about when we discuss national income is the distribution of purchasing power. The more that purchasing power is borrowed, and the larger the borrowed section becomes, the greater must be the productive effort of industry of all kinds if national solvency is to be maintained. In an obviously whimsical mood, the Professor suggests that all of the national income can go as interest on the national debt. But the national income is spent every day for bread and butter, and milk and meat, and clothes and rent. It is, therefore, not available and only a small portion can be wrung from the economy to meet the interest charges on a debt burden. That "net" in the national income is the real measure of the economic progress. It cannot be absorbed into a rising debt structure with impunity; the attempt will invite one of two alternative disasters: repudiation by any or all of the common devices, or a lowering of the standard of living, for "we cannot eat our cake and have it, too."

volumes. In November Review of Economic Statistics Rufus S. Tucker points out the statistical weaknesses of this study which casts considerable doubt as to its ultimate worth. However, because it is the only source available we draw the following figures from it. In the years 1935-36, 39½ million families and single individuals received incomes which aggregated nearly 60 billion dollars.

When the state embarks on a productive tax program or sets out to borrow 40 billions for defense it will have to go to the 39½ million families. In other words, everybody has got to be taxed and everybody has got to lend if defense and lease-lending is to be accomplished in time.

In everyday language this is called broadening the tax base. It is high time that we got used to it because it is certain to happen.

ONE of the old moral precepts which we copied painfully 100 times in our copy books was "Neither a borrower nor a lender be." The state has become the borrower of necessity and the citizen the lender, but there is no hocus-pocus about this business. Perpetual debt is an anomaly. If you must read on the run, read what the Encyclopedia Britannica has to say in Volume 16, 1929 edition, about British national debt. The holders of the consols have really bought stock in the Empire, but the government has had to resort to no end of supplementary borrowing with definite maturities and interest rates ranging as high as 4 per cent.

#### NEW JERSEY SAVINGS BANKER

Alvah S. Amerman, president of the Dime Savings Institution of Newark, is president of the New Jersey Savings Banks Association



BLANK & STOLLER

America has got to have a lending class. Please God it will be large! We would have cause for national rejoicing if 75 million of the 75 million who receive income were able and willing to lend something to the government. Then, indeed, would mass collections be available for mass spending. Deep in the living tradition of America is the principle of solvency. It is personal, vital, enduring; and it is moral as well as financial for it involves responsibility.

There are hundreds of thousands of Americans who do not want free medi-

cine, free music, free recreation, or anything else that is free, if the price of the bounty is national insolvency. A bewildered segment of our people have espoused the slogan of security, but it cannot be legislated nor decreed, nor manufactured out of anything except the willingness of an independent and vital citizenry to work and to save.

THANKS for a happy hour in "Wonderland," Dr. Leacock, and may all who see the point of your joke bring all of their powers to bear against those who are all too willing to "charge it."

## More Than MERE KNOWLEDGE

AS AN institutional bond buyer, you have certain requirements. You rightly expect investment dealers with whom you do business to have a comprehensive knowledge of individual securities backed by sound information on markets themselves. And we take the same view of our responsibility to our clients—and make a special point of acquiring accurate, authoritative information on both points for their use.

But this organization makes available more than sound basic qualities. It offers, too, a sincere, personalized interest in the particular problems of the institutional investors who feel that they can profit from our experience, research and collective thinking. To the extent that an institution chooses to make its security problems known to us, to that extent do we devote ourselves to helping them solve those problems and better our service to them thereby.

This "plus value" is available to all of our institutional customers today—and to those of tomorrow as well. Perhaps you, too, would like to avail yourself of its advantages.

### R. W. Pressprich & Co.

68 WILLIAM STREET, NEW YORK

36 Pearl Street  
HARTFORD

201 Devonshire Street  
BOSTON

GOVERNMENT, MUNICIPAL, RAILROAD,  
PUBLIC UTILITY AND INDUSTRIAL BONDS

**NASHVILLE**  
A KEY CITY IN THE  
CENTRAL SOUTH

Rich in tradition and culture, contains 10 colleges and universities, 18 preparatory and 23 vocational schools, appropriately called the "Athens of the South," Nashville is also an important industrial center located well inside the Government-designated area for the manufacture of defense materials.

A key bank serving in the progress of this industrial, agricultural and cultural city for over 57 years—

**AMERICAN NATIONAL BANK**  
Member Federal Deposit Insurance Corporation

**DIVIDEND**  
**ARMOUR AND COMPANY**  
**OF DELAWARE**

On May 22 a quarterly dividend of one and three-fourths per cent (1 3/4%) per share on the Preferred Capital Stock of the above corporation was declared by the Board of Directors, payable July 1, 1941, to stockholders of record on the books of the Company at the close of business June 10, 1941.  
E. L. LALUMIER, Secretary

**SPEEDY**



*Fulton Correspondent Service*

**FULTON NATIONAL**  
ATLANTA *Bank* GEORGIA

## Thank You, Mr. Cook!

THE letters at the right were written by seventh grade school children in Bucyrus, Ohio. They are addressed to H. E. Cook, president of the Second National Bank in that town, to thank him for taking the pupils on a tour of the bank one day last Winter.

It wasn't the first time the Second National had played host to Bucyrus youngsters; nor is the bank's friendliness toward "tomorrow's customers" confined to Bucyrus. Mr. Cook occasionally goes to some of the consolidated schools in the county to give talks on banking.

When the pupils come to the bank they are welcomed in the directors' room where Mr. Cook speaks to them about banking, explaining some of the fundamentals of operations. Then the interested visitors are escorted through the bank's various departments—book-keeping, cages, vault, etc.—where they learn how, in a general way, the work is handled.

After the visit that occasioned these letters the seventh grade teacher, Miss Thelma L. Kranich, wrote to Mr. Cook:

"I do wish you might have been a mouse in our classroom for a week or so following our visit in your institution. These pupils, ranging in age from 12 to 14 years, discussed such topics as the advantages of a checking account; necessary precautions in cashing a check for someone else; comparisons of inter-

100 So. Linden St.  
Bucyrus, Ohio  
February 20, 1941

Dear Mr. Cook:

I want to thank you and your staff for a very pleasant visit to your bank.

Your interesting talk gave me a new understanding of what our banks mean to us.

Again, thank you for a delightful afternoon.

Very truly yours,  
Robert Sandgardner

901 Square St.  
Bucyrus, Ohio  
February 20, 1941

Dear Mr. Cook:

Just a note of thanks to express my appreciation for your time and effort, explaining and demonstrating the workings of a bank. I believe seeing and hearing about a bank has done me more good than reading thousands of books on banks. Kindly thank all others who helped you on our tour through your bank.

Sincerely yours,  
Carole Boyer

est rates between banks and finance companies; how, when and why to borrow money from a bank; what a mortgage is and why it is used; the different kinds of paper money; the security behind our paper money; a brief idea of our credit system; methods of detecting counterfeit money; the convenience of travelers' checks; and the valuable advice that may be gained from any of our local bankers.

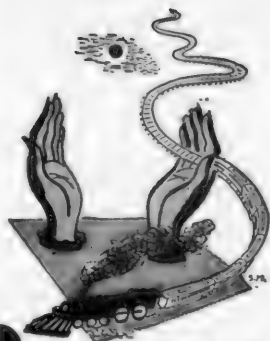
"I placed a statement from each of the banks on our bulletin board. The genuine interest and enthusiasm with which these seventh graders examined, studied and compared these statements amazed me. And they made it their business to understand the meaning of each item listed on each statement!"

HERE are excerpts from some of the "thank you" letters written by the pupils after their visit.

"I would like to thank you for accompanying us around the bank and telling us the very interesting things you told us. And thanks for letting me see the vaults and letting me get a thrill when holding a one hundred dollar bill and thinking of what I could do with it."

"Thank you very much for giving us the privilege of visiting your bank. I enjoyed it very much. It is a big help in math as we are studying different





## DOUBLY HANDY

Opening through its own passageway directly into Grand Central Terminal, the Hotel Roosevelt offers you perfect convenience on your arrival in New York . . . And because of its location at the heart of Manhattan's great mid-town section, it affords the same kind of convenience for all outside activities . . . Doubly handy and doubly enjoyable . . . Attractive rooms with tub, \$4.00 — with tub and shower, from \$4.50.

## HOTEL ROOSEVELT

BERNAM G. HINES, Managing Director  
MADISON AVENUE AT 45th ST., NEW YORK  
Direct Entrance from Grand Central Terminal

## BEQUESTS NEED BE NO PROBLEM

MANY BANKERS will be called upon this year to suggest appropriate and worthwhile bequests. Naturally, they will want to be sure that the recipients of these gifts meet rigid requirements.

Investing in the future of young Americans — and thus in the future of America — is both worth while and wise. And linking the name of the donor to some vital project of a renowned educational institution is but appropriate.

Why not suggest to your clients that they consider the 116-year-old Rensselaer Polytechnic Institute, Troy, New York? Write for details on the horizons still to be reached through education and research.

banking problems, and now that I know what they mean it is much easier for me."

"This is just a note of appreciation to thank you for your time and trouble in showing us through your bank. The thing I like most was taking a picture of a check. I didn't see very much of it but what I did see was very interesting. I enjoyed my visit very much. Thank you again."

"I hereby thank you for your time and effort in showing us the bank.

"I want to apologize for my classmates because they think more of ice-cream than the experience."

"This letter is in regards to my visit to your bank. I enjoyed my visit very much. I liked best the bookkeeping machine that your daughter worked for us. I appreciated your work in explaining the main points of banking, and I'm sure it will help me in later life."

## "Finance"

IN its issue of June 7 the "Chicago Banker" announced that it had a new publisher, Reuben A. Lewis, Jr., and that its name was being changed to "Finance."

Harry Wilkinson, founder of the 43-year-old "Chicago Banker", continues as editor. Merryle S. Rukeyser, widely known financial writer, is associate editor of the new publication.

Mr. Lewis, whose banking background includes executive service with the Continental Illinois National Bank & Trust Company and the Metropolitan Trust Company, Chicago, was formerly associate editor of the American Bankers Association "Journal", predecessor of BANKING.

### U.S.O. Aides

At a New York City United Service Organization meeting were, left to right, Richard W. Lawrence, president, Bankers Commercial Corporation; John W. Hanes, vice-chairman, national U.S.O. campaign; Winthrop W. Aldrich, chairman, Chase National Bank; Walter S. Gifford, president, American Telephone & Telegraph Company



## THE NEW YORK TRUST COMPANY

Capital Funds . \$37,500,000

100 BROADWAY

MADISON AVENUE  
AND 40TH STREET

TEN  
ROCKEFELLER  
PLAZA



Member of the  
Federal Deposit  
Insurance Corporation

## THE STEEL STORAGE FILE COMPANY

### Announces:

The removal of its General Offices and Plant from Cleveland, Ohio to

### WOOSTER, OHIO

where we have erected and equipped a Spacious New Modern Plant to adequately meet the increasing demand for

**SAFESTAK**

STEEL STORAGE FILES



## THE ONLY BANKING NIGHT SHIFT ON THE NIAGARA FRONTIER



### *Speeds your collection of New York State Cash Items*

● Our Night Transit service can save your bank as much as 24 hours in the presentation of cash items throughout New York State!

We meet all planes and trains up to three in the morning. Incoming cash items are sorted and re-dispatched to their destinations by the fastest possible route. This means presentation hours in advance of other methods.

With few exceptions, items arriving prior to 12:30 A. M. will be presented the next business day in 60 New York State cities and towns. Cash items to other parts of the country are handled with comparable speed.

Let us show you how we can bring about a worthwhile reduction in float by speeding up your presentations and collections in New York State.

## MARINE TRUST COMPANY OF BUFFALO

*A Marine Midland Bank*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## BANKING'S *Advertisers*

*July, 1941*

Allen Wales Adding Machine Corp. . . . .	Cover IV
Allison Coupon Co. . . . .	7
American Appraisal Company . . . . .	12
American National Bank . . . . .	70
American Telephone and Telegraph Company . . . . .	6
Anaconda Copper Mining Company . . . . .	60
Armour & Company . . . . .	70
Burroughs Adding Machine Company . . . . .	18
Canadian Bank of Commerce . . . . .	12
Central Hanover Bank and Trust Company, New York . . . . .	64
Central National Bank of Cleveland . . . . .	65
Chase National Bank of New York . . . . .	43
Commercial Investment Trust, Inc. . . . .	7
Continental Illinois National Bank and Trust Co. of Chicago . . . . .	54
De Luxe Check Printers, Inc. . . . .	5
C. J. Devine & Co. . . . .	3
Dictaphone Corporation . . . . .	49
Douglas-Guardian Warehouse Corporation . . . . .	9
Fidelity & Deposit Company of Maryland . . . . .	11
Fireman's Fund Group . . . . .	63
Fulton National Bank, Atlanta . . . . .	70
First National Bank of Chicago . . . . .	52
General Electric Company . . . . .	15
General Motors Acceptance Corporation . . . . .	13
Halsey, Stuart & Company, Inc. . . . .	5
Home Insurance Company . . . . .	16
Hotel Roosevelt, New York City . . . . .	71
International Business Machines Corporation . . . . .	4, 96
Geo. LaMonte & Son . . . . .	2
Lawrence Warehouse Company . . . . .	47, Bulletin, Cover II
Marine Trust Co. of Buffalo . . . . .	72
George S. May Company . . . . .	Cover III
Mercantile-Commerce Bank and Trust Company, St. Louis . . . . .	55
National Bank of Detroit . . . . .	59
National Shawmut Bank of Boston . . . . .	66
National Surety Corporation . . . . .	67
New York Trust Company . . . . .	71
Northern Trust Company . . . . .	68
J. H. Oliphant & Company . . . . .	59
Philadelphia National Bank . . . . .	57
R. W. Pressprich & Co. . . . .	69
Public National Bank & Trust Co. of New York . . . . .	67
The Purse Company . . . . .	61
R. G. Rankin & Co. . . . .	3
Recordak Corporation . . . . .	37, Bulletin, Cover IV
Remington Rand, Inc. . . . .	Cover II, Bulletin, Cover III
Rensselaer Polytechnic Institute . . . . .	71
Royal Bank of Canada . . . . .	13
Standard Accident Insurance Company . . . . .	53
Stanley Works . . . . .	66
Steel Storage File Co. . . . .	71
Stevens Hotel . . . . .	14
Texas Corporation . . . . .	67
United Service Organization . . . . .	74
Weyerhaeuser Sales Co. . . . .	62

# ★ ORGANIZATION ★

PRESENT DAY BANKING'S PROGRAM OF ACTION

**SPEAKING OF BOTTLENECKS** **WILLIAM R. KUHNS** **75**

**CHICAGO NEXT SEPTEMBER** **PICTURES** **76**

**FAMILY BUDGET SERVICE** **J. R. DUNKERLEY** **78**

**PICTURE LOG** **79**

**"VIVERE EST COGITARE"** **PICTURES** **80**

**WITH THE A.I.B. AT THE GOLDEN GATE** **PICTURES** **82**

**COUNTY DATA ON FARM LOANS** **N. J. WALL—A. G. BROWN** **84**

**A NEW A.I.B. SALES PROGRAM** **87**

**SOME STATE ASSOCIATION PRESIDENTS** **PICTURES** **89**

**ORGANIZATIONS AFIELD** **JOHN J. McCANN** **90**

**NEWS PAPER AND CALENDAR** **92-95**

**A.B.A. DEFENSE ACTIVITIES—BANK LENDING SURVEY—A.B.A. MEMBERSHIP—STATE  
BANK RESOURCES AND EARNINGS REPORT—NEW CONSUMER CREDIT SERVICE**



## WHERE TO, SOLDIER?

THEY gave him a pass today, for the week-end.

The world is his—at least as far as the nearest town. No more K.P., no more drill, no more formations till Monday. He can be John American, his own master, having a good time. That pass is his *open sesame*.

*But is it?*

Where will he and his buddies go in that town overrun with soldiers? Where will they eat and sleep? What can the community do to give them relaxation and entertainment?

• • •

One of the forgotten problems in any high-speed scheme of national defense is how to provide for the soldier and sailor off duty.

Within the camps and naval stations the services themselves have

excellent facilities. But in the surrounding cities and towns the problem is acute and difficult.

Many of the newer army camps are located far from the larger centers. Into towns of 1,000 to 5,000 population may come as many as 3,000 men on a single evening. Where are they to go? How is the community to provide for them, to see that they get the wholesome food and entertainment that all of us would like them to have?

To meet this emergency all the "service agencies" of the last war have joined forces. The Y. M. C. A., the National Catholic Community Service, the Salvation Army, the Y. W. C. A., the Jewish Welfare Board and the National Travelers Aid Association have combined to form the United Service Organizations—known as the U. S. O. Differences of

race and creed have been forgotten; lesser distinctions have been subordinated to the idea of united service.

*How can you help?* The U. S. O. is raising approximately eleven million dollars to finance its program of leisure-time aid to the men in service. This is your opportunity to do your bit for national defense. Give generously to the U. S. O.

*How will the money be used?* In maintaining 360 U. S. O. clubs. The government is building the club houses themselves. What is required now is money to operate them.

*How and where shall you give?* To the local committee that has charge of your city's part in this national drive. No matter how much or how little you feel you can give, send it today to your local chairman or to National U. S. O. Headquarters, Empire State Building, New York.



# Speaking of Bottlenecks

## *The Information Business*

News ranks well up toward the top among the important commodities essential to the success of the defense program. If we don't know what is going on we are not much help. Another way of saying it is that the more we know about the Government's program and problems the better able we are to do what is expected of us.

Now it so happens that this valuable commodity news is Washington's chief article of production and there has never been any capacity problem at the production end. The various departments, commissions, bureaus, agencies and individuals in the capital city can turn out the raw material and finished goods in unlimited quantities. The problem of capacity lies in the other direction. The neck of this particular bottle is the consumer. Even before the defense program began piling bureau on bureau and adding thousands of little words to the daily flow of press releases, the customers had developed acute and chronic indigestion.

## *Supply and Demand*

To begin with, the normal, average person kids himself unmercifully about how much he reads and how much he knows about what is going on. If there were any good way to check this point the n.a.p. mentioned above would probably find that he was reading about 1.9 per cent as much as he intended to read, including Sundays and holidays. A good part of even this small amount consisted of looking at the pictures in *Life*, finding out who pitched, or holding a copy of *Reader's Digest* to keep from falling asleep. This leaves one half of umpf per cent devoted to the headlines, including the small ones in back on the business pages.

## *Sources*

WASHINGTON produces both official and unofficial news. Practically every governmental office, whether executive, legislative, judicial or indescribable, is a possible source. Members of Congress, acting in session, committees or as individuals, make news. They are also channels for distributing news about events elsewhere.

From the standpoint of banking, the leading sources, in addition to the White House, Treasury, Congress and the various banking agencies, are the OPM, OEM, OPACS, RFC and all their dozens of subdivisions. For example, OEM, with its huge staff of departmentalized press officials, supervises four main offices for the dissemination of news: Priorities, Purchase, Production and Labor. In the same group also are various service offices including contracts, finance, publications, radio, news reels, still pictures, civilian defense, housing mediation, correspondence and some others. Most of these have their own press officers.

There is no complete list of Government press agents available at present, nor any published, official tabulation of their number. A mimeographed list put out by the U. S. Information Service, although it gives only one name for each agency listed, fills sixteen pages. The only official study of the subject dates from 1937 and was made in connection with a report on governmental activities prepared by the Brookings Institution.

In some respects, both as to volume and usefulness, the news emanating from non-governmental agencies in Washington is even more important.

## *Volume*

INDICATIVE of the volume of released material, during the fiscal years 1940 and 1941 the Government Printing Office supplied the various departments and agencies with mimeograph paper in these amounts:

1940	8,770,000 pounds
1941	16,040,000 pounds

The Treasury issues about 100 releases monthly, the secretary holds press conferences weekly, various other Treasury officials confer with the press, make speeches, testify before hearings and otherwise create news. In addition the Defense Savings Staff, under the aegis of the Treasury, is a source of much important news.

The Office for Emergency Management issues more than 200 releases a month and the figure is rising. These include material on price control, priorities, purchases, housing, exports and every variety of item bearing directly on businesses, large and small, throughout the country.

The Commerce Department alone, during the month of May for example, issued more than 400 releases. A recent release from the Department of Agriculture says happily that the department issued 33 new publications in May.

## *Outlets*

THE principal distributive channels for all this vast flow of news out of Washington are, of course, the press associations and hundreds of newspaper correspondents. There are also the radio commentators, columnists, magazine writers and the Washington news letters. All of these facilities taken separately or together are amazingly efficient and complete and no other country ever enjoyed such next-door-neighbor access to its capital's news. Yet, whether owing to indigestion or inertia, the part of the product finally delivered and consumed is hardly enough to sustain daily business life. Perhaps some day a way will be found to manufacture news capsules that will really do the job.

# Chicago Next September

**F**OR the seventh time in its long history the American Bankers Association is holding an annual convention in Chicago. The dates for this 67th yearly gathering are September 28 to October 2. Headquarters is the Stevens Hotel. P. D. Houston, chairman of the board, American National Bank, Nashville, Tennessee, is in general

charge of convention arrangements in his capacity as president of the Association. Plans for the meetings are rapidly taking shape, and delegates are assured of a timely, practical and interesting program in this year of national emergency. The A.B.A. met in Chicago in 1933, 1924, 1918, 1909, 1893 and 1885.




The Stevens Hotel, *foreground*, has almost completed arrangements for the influx of bankers in September. More than 1,500 rooms and 100 suites have already been allocated. The hotel is the world's largest, having 3,000 rooms, 40 miles of carpet and 1,500 employees. It reports that a large convention consumes daily 1,000 pounds of butter, 1,000 dozen eggs, 35,000 cups of coffee, 1,000 pounds of pork products and 20,000 rolls

The Merchandise Mart, *right*, known as the world's largest building, houses 1,500 firms on 4,000,000 square feet of floor space, enough standing room for all of the inhabitants of Chicago



CHARLES PHELPS COUSING  
BANKING



Remember  and the Bankers Code? They date back to 1933, the year of the most recent Chicago convention



EDROPEAN

Commerce on the Chicago river, *above*



CHARLES PHELPS CUSHING

Fruit, magazines and timetables, *above*, in the Union Station



GENDREAU

Chicago has a lot of good beaches—like this one. You can say the same for the stockyards, *below*



F. P. G.

# Family Budget Service

**E**VEN a slight increase in the cost of living is serious for people in the low-income group and raises difficult questions of personal money management. For example, the head of a family with a \$5,000 salary who paid \$100 in income taxes last year will have to have an additional \$200 to \$400 with which to pay higher taxes next year. The greatest adjustments will probably be necessary in the medium and higher income brackets.

Customers are going to their banks for help in devising budgets that will enable them to meet increased taxes and permit them to invest in Defense Savings Bonds. To be prepared seems wise. Banks which, throughout the recent era of spending, kept their service bureaus intact are ready for the personal inquiries which are headed their way in increasing volume as March 15, 1942 approaches.

Officers of other banks have personally handled the relatively few requests for such guidance during recent years. Considering that we are entering a new era of savings, with a consequent increased interest in budgeting and home economics, this procedure may prove to be both costly and unsatisfactory. A bank officer's time is too valuable and there are too many other demands upon it, particularly in banks where junior officers have been called to service. But what is more important—to the banks and to their customers—very few officers are qualified to render this type of service. It requires a specialized type of knowledge for which, generally speaking, the feminine mind has the greater talents.

**T**HE Committee on Personal Money Management of the Savings Division of the American Bankers Association, of which Henry M. Hart, vice-president, National Bank of Commerce, San Antonio, Texas, is chairman, will be pleased to assist banks in the planning and organization of service bureaus. Recent inquiries indicate a revival of interest in this type of service. In fact, it was primarily a desire to help the banks without service departments that recently led the committee to publish its booklet on personal money management. Over 30,000 copies have already been distributed. This is a manifestation of the new interest in the subject of budgeting which almost became taboo.

On the Personal Money Management Committee are three women who have made outstanding contributions in the direction of the service bureaus of their institutions. Their viewpoints are worthy of serious consideration at this time.

**M**ISS MARGARET J. BACON of the Monroe County Savings Bank, Rochester, New York, has this to say:

"Service departments are especially needed today. In such departments are concentrated the bank's effort to discover what the customer really thinks about the bank. Also, the various types of service which the bank offers, may be suggested to the customer at this point.

"We bankers have known the simple operations

which the customer needs to know so long that they seem universal knowledge to us. They are not. Here is where school savings, integrated in our Income Management Bureau, plays its part, for we train future customers, and if you study the ages of present depositors you will find the need for searching out youth to help him to be independent through the practice of money management.

"If ever service departments were needed, they are needed now—and quickly."

**M**ISS SARAH J. MACLEOD of the Society for Savings, Cleveland, Ohio, in a recent statement said:

"I shall always remember how our former president, Myron T. Herrick, kept repeating to me that if we would keep in mind the promotion of thrift in the community, the Society would get its share of the benefits. The freedom I have always been given and the lack of pressure about producing an absolutely definite amount of new business has made it possible for me to make many contacts which in the long run have been valuable to the bank.

"In a year's time, we distribute about 3,000 budget books, but many people come for advice who never get a budget book and, in other cases, we often give a budget book but no special help.

"From January to March 31, the *Cleveland Press* carried 25 of my budget columns. They average two a week. The column carries the names of both myself and the Society and is on the women's page . . .

"In this same period, I received about 300 letters through the *Press* office. These letters are answered personally on Society for Savings stationery and pertinent Society for Savings leaflets are enclosed . . ."

**M**ISS MABEL THOMPSON is in charge of advertising and publicity, as well as the service bureau of the Union Dime Savings Bank of New York City. She states:

"For every person who definitely seeks advice on budgeting, there are many more who come to us for help on a specific problem, and often this results in definite financial planning. They want to discuss: how they can save enough to send John and Mary away to school; or how they can buy a new car; or whether they should carry more insurance and if the type of policy being considered is the best one for them. Often there is need for credit on the part of even the most thrifty.

"Explaining to the public—sometimes an irritated or a bewildered or a fearful public—what certain things mean and why they are done, constitutes an important part of any public relations program."

Undoubtedly, these departments should be run on an educational and broad community service basis; yet, it has been demonstrated that they can be a tremendous feeder of new business, as well as producer of goodwill.

J. R. DUNKERLEY  
*Assistant Secretary*  
*Savings Division*



## PICTURE LOG— . . . . With the Cameraman in Several States



MCLAREN

**NEW YORK**—New York State Bankers Association in 1940 awarded two freshman scholarships to the State Colleges of Agriculture and Home Economics at Cornell University in connection with 4-H Club work. **BANKING's** roving reporter caught the above group at the association's convention in Buffalo. *Left to right*, W. Randolph Burgess, retiring association president and vice-chairman, The National City Bank of New York; Miss Elizabeth Kandiko, a scholarship winner and an honor student; E. Brunham Guild, retiring chairman of the association's agricultural committee; E. Paul Barrett, the

other scholarship student, who found time to earn his expenses, aside from the scholarship, and to participate in several campus activities; Albert Hoefer, assistant state 4-H Club leader. Mr. Barrett, in thanking the association for his scholarship, said: "I do not know if any of you men have experienced the change of attitude one has when he receives a scholarship . . . it inspired me to go look for jobs and gave me the confidence I could keep the job once I got it." Miss Kandiko said: "Knowing that some people have faith in my ability makes me want to work harder and harder. . . ."



**MISSOURI**—*left*, A.B.A. President P. D. Houston and Dr. Marcus Nadler, Professor of Finance, New York University, at the 50th anniversary convention of the Missouri Bankers Association



**NORTH CAROLINA**—*above*, Governor J. Melville Broughton greeting R. C. Lewellyn, president, Surry County Loan & Trust Company, Mt. Airy, and incoming president, North Carolina Bankers Association, at the association's convention



GABRIEL MONLIN

**CALIFORNIA**—*left*, Paul F. Cadman, A.B.A. Economist, congratulating Marvin Harsh, of Los Angeles, winner of the California Bankers Association's American citizenship public speaking contest, while E. V. Krick, chairman of the association's public relations committee, presents the championship trophy

"Vivere Est Cogitare" . . .



**F**ORTY-TWO states were represented by 644 bank officers at the seventh resident session of the A.B.A. Graduate School of Banking at Rutgers University. Seniors assembled early for oral examinations on their theses—based upon topics of special interest in their majors. Several thesis panel examinations are shown in progress, with student majors indicated.

**COMMERCIAL BANKING**—John F. English, Federal Reserve Board, Washington, D. C., appearing before Thesis Panel Examiners B. Walton Romefelt; Harold Stonier, Graduate School director and A.B.A. executive manager; (out of range) E. E. Agger and Clyde M. Davis



**INVESTMENTS**—left, above, H. C. Sauvain, R. S. Alexander, and Adrian M. Massie examining Arthur C. Sanders of Savings Bank and Trust Company, Richmond, Virginia. **TRUSTS**—right, Alfred R. Bengston, of Phoenix State Bank and Trust Company, Hartford, appearing before Robert C. Tait, John W. Remington, and A. Anton Friedrich



PHOTOS BY GEORGE H. POUND

**COMMERCIAL BANKING**—George P. Barse, Alexander Wall, and S. H. Squire questioning Harry P. Hillen, of The Chase National Bank of New York. **COMMERCIAL BANKING**—Louis C. Gosdorfer, of United National Bank of Long Island, Forest Hills, New York, being queried by Ralph D. Withington, William G. F. Price, and Albert S. Keister

## ... The Graduate School of Banking

**T**HE Graduate School Faculty is composed of 40 instructors, including college professors, practical bankers and Government officials. Only bank officers and bank supervisors are eligible to attend the School. Included in the 1941 student body were 19 presidents, two directors, 49 vice-presidents, 44 assistant vice-presidents, 44 cashiers, 23 trust officers and 131 assistant cashiers.

**INVESTMENTS**—Thesis Examiners J. Harvie Wilkinson, Jr., A.B.A. Senior Deputy Manager Frank W. Simmonds, and O. P. Decker interviewing Felix Montano, of the Hartford-Connecticut Trust Company



**TRUSTS**—E. P. Neilan, Austin W. Scott, and William A. Irwin examining J. Wallace Scanlon, of The Howard Savings Institution, Newark, New Jersey. **COMMERCIAL BANKING**—George R. Bartlett, of The Wallkill (New York) National Bank, answering the queries of Examiners E. W. Burdick, William A. White, and O. Howard Wolfe



PHOTOS BY GEORGE H. POUND

**COMMERCIAL BANKING**—Panel Examiners Earl B. Schwulst, Irvin Bussing, and T. Allen Glenn, Jr., interrogating J. R. Throckmorton, of First National Bank and Trust Company, Waynesburg, Pa. **COMMERCIAL**—Montfort Jones, John J. Driscoll, Jr., and Kenneth C. Bell quizzing Leo M. Kelly, of Central-Penn Nat'l Bank, Philadelphia

With the A. I. B. at the Golden Gate, June 2-6



NATIONAL OFFICERS—*left*, Secretary Larson, Educational Director Irwin, retiring President Dart, A.B.A. President Houston, and incoming President Newell. *Below*, vice-president, David E. Simms



SAN FRANCISCO Men's Reception Committee provided a rousing good time. Arthur W. Kohner of the Wells Fargo Bank & Union Trust Company, *seventh from left, front row*, was chairman. His general vice-chairmen were J. D. Baker, San Francisco Bank; B. G. Mobbs, Bank of California; R. R. Emery, American Trust Company; and F. M. Dana, Bank of America



BUSINESS—a scene at the registration desk, *below, left*. Charles K. McIntosh, president, San Francisco Clearing House Association, at the speakers' dais, *right*, welcoming the delegates



BLOCK  
DIVISION







*Left above, GIANNINI DINNER*—the Public Speaking contest dates from 1926, when A. P. Giannini created an endowment to provide prizes for national winners. Mr. Giannini was the guest of honor at a dinner given by national officers and executive councilmen at San Francisco. Mr. Giannini and Mr. Dart at head of table. *Right, above, WOMEN'S CONFERENCE*—Mr. Dart, *speaking*, and Mr. Newell, *standing*, at the women's conference. Miss Rose Ziph, retiring chairman, presided and Miss May F. McCusker, newly appointed national women's chairman, spoke on "First Things First"



*EXECUTIVE COUNCIL CANDIDATES*—David T. Scott, Boston; D. Wesley Correll, Milwaukee; Genevieve M. Nevin, Minneapolis; George E. Powell, Kansas City; and Victor H. Lloyd, Charleston—warming up for appearances before chapter caucuses. The four men won the honors. *RODEO*—San Francisco Chapter treated delegates and visitors to a wild-West rodeo. *Right above, foreground*, conventions leaders surrounding the rodeo clown

*PUBLIC SPEAKING CONTESTANTS* for the A.P. Giannini prizes, *left, below*, waiting for the bugle call. Richard T. Brairton, Monroe County Savings Bank, Rochester, N. Y., won first place. *Left to right, seated*, W. F. Roberts, Dallas; John G. Gunn, Spokane; Maurice Allendoerfer, Kansas City; *standing*, John R. Stackable, San Diego; Mr. Brairton; Mozart Lovelace, Chicago, fourth place; John W. Clay, second place, Nashville; W. T. Irwin, Philadelphia, third place. *PUBLICITY*—Philadelphia Chapter won the Group A publicity contest—for a membership of 751 or over; Richmond Chapter won in Group B; and Anthracite Chapter, Pottsville, Pa., won in Group C. *Right, below*, the Philadelphia publicity display





Delegates to the New York State Bankers Association studying maps of New York State showing the percentage distribution of real estate and non-real estate agricultural loans made by insured commercial banks and government lending agencies and outstanding on June 29 and December 31, 1940. The data reflected by these maps were compiled by the Agricultural Credit Department of the American Bankers Association, of which A. G. Brown is manager. Similar maps have been made up for seven other states—Colorado, Illinois, Kentucky, Nebraska, New Jersey, South Dakota and Virginia—and eventually will be available for all states.

## County Data on Farm Loans

NORMAN J. WALL

Mr. WALL—head of the Division of Agricultural Finance of the United States Department of Agriculture—is a frequent contributor to *BANKING* on banker-farmer cooperation.

A NEW series of state reports presenting agricultural loan data by counties is being issued by the Bureau of Agricultural Economics. The first report in this series is "Agricultural Loans in New York."

Numerous requests have been received from many sources for data that would show, by counties, the extent to which farmers are indebted, the extent to which they are using credit in their operations, and the extent to which various agencies are supplying credit. It is hoped that these data will be useful to the county land-use planning committees in their work and that they may suggest means by which the various lending agencies may enlarge their fields of service in financing farmers.

County data presented in these reports cover farm real estate loans held by insured commercial banks, the Federal Land Bank, the Land Bank Commissioner, and the Farm Security Administration; short-term loans held by insured commercial banks, production credit associations, the Emergency Crop and Feed Loan Office, and Farm Security Administration; and the number and amount of loans made during 1940 by the Federal Land Bank, the Land Bank Commissioner production credit associations, and the Emergency Crop and Feed Loan Office.

CERTAIN data, available on a state but not a county basis, are included to provide a more complete picture of the farm credit situation existing within the state than is revealed by the county data. These include

estimated total farm mortgage debt, interest rates, and interest charges for selected lender groups; outstanding short-term loans of commercial banks and various federally sponsored agencies; loans to farmers' cooperative organizations; interest rates and charges on short-term loans; cash farm income; farm land values, transfers, and delinquencies and debt adjustment.

A classification of agricultural loans by type of security was submitted by insured commercial banks with their June 29, 1940 call report. This classification is shown, by counties, with comparable data for January 1, 1935.

A SURVEY to determine the amount of agricultural loans held by commercial banks was conducted as early as 1914; this was followed by similar surveys in 1918, 1920, 1923 and 1931. Prior to 1934, information as to the amount of agricultural loans made by commercial banks was obtained by mailing questionnaires to each individual bank. At the end of 1934, however, schedules were enclosed with the call reports sent out by the various Federal supervisory banking agencies. These data, as well as data from previous surveys, were summarized in Technical Bulletin No. 521, "Agricultural Loans of Commercial Banks," issued by the Department of Agriculture in 1936.

Beginning in June 1936, data on non-real estate agricultural loans have been requested with each June and December call report. This information is published regularly in the semi-annual report of the Federal Deposit Insurance Corporation, "Assets and Liabilities of Operating Insured Banks," and in the semi-annual "Agricultural Finance Review" issued by the Bureau of Agricultural Economics.

## Value of County Data to Commercial Banks

A. G. BROWN

*The author is Manager of the Agricultural Credit Department of the American Bankers Association.*

**T**HE loan data provided by the Bureau of Agricultural Economics, reflecting by counties the extent to which farmers are indebted and the extent to which various agencies are supplying credit, provides a type of information that will be much appreciated by country bankers.

Getting the facts as to farm credit situation is an elemental need of every country bank, if it is to meet the usual credit demands of its community. It is particularly timely that such loan information be availed of by bankers, especially country bankers, in order that they may provide a storehouse of available credit facilities for the farmer and thereby be the better able to support an all-out production program of "food for defense."

And so, what otherwise might be dry figures, forms the basis of a virile action program—a program that stresses the importance of "getting the facts," and then doing something about it.

Here are some observations that suggest how "County Data on Farm Loans" may be helpful to individual banks, county and regional clearinghouse associations and state bankers associations:

### **Bankers**

1. Visualization of county loan figures will prompt bankers to become conscious of their community obligation to provide a loan record that will measure up with that of other counties—one that reflects an ability and willingness to take care of the legitimate credit needs of worthy farmers.

2. Recognition can be made of any situation where loan figures show that banks are not rendering a loan service as effective as that of production credit associations.

3. While the Farm Security Administration is not a competing lending agency its county loan figures should

influence bankers to familiarize themselves with the county program of the FSA; to learn of the conditions that made its support of individual clients a proper and useful one; to study the individual progress reports and learn what the factor of "supervision" means in the extension of credit to farmers.

### **County or Regional Bankers Associations**

1. Make the county key banker responsible for study and analysis of loan figures and for the development of a program to consider such study by county or regional associations. It might be made by the county agent or extension department of the state agricultural college whose familiarity with social or physical conditions of the county would correlate them with loan figures.

2. Have county key banker bring loan figures to the attention of the county land-use planning committee for its study, analysis, and consideration. This would undoubtedly call for local or community credit surveys as county land-use planning projects.

3. Bankers of a county should join in publishing the loan figures reflecting credit to farmers.

### **State Bankers Associations**

1. See that every bank in the state receives the printed report showing loans to farmers by counties, and held by commercial banks and other lending agencies.

2. Use county outline maps showing percentage of loans outstanding and held by banks, production credit associations, the Farm Security Administration, and Federal Land banks. Such an outline map will enable one to spot those counties where commercial banks are not aggressive in the solicitation of farm loans.

3. Publicize the comparative loan figures, by counties, in the official publication of the state bankers association, and also the picture of the outline map showing ratios of farm loans outstanding in banks and other lending agencies.

## County Data on Farm Loans

(CONTINUED)

Through the cooperation of the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Farm Credit Administration; and the Farm Security Administration, agricultural loan data, by counties, is being made available for practically all states for January 1, 1941, covering the following items:

Personal and collateral loans and real estate loans of insured commercial banks, production credit association

loans, and rural rehabilitation and tenant purchase loans of the Farm Security Administration.

As indicated in the accompanying chart, personal and collateral loans to farmers held by commercial banks more than doubled during the six-year period 1914-20. Following 1920, with the sharp drop in prices received by farmers, there was a downward trend in personal and collateral loans to farmers which was not reversed until about 1937. The increase since that time has resulted in considerable part from the underwriting



PHOTOS BY MCLAREN

Mr. Brown, left, speaking, discussing the county farm loan data discussed in this article, at the New York State Bankers Association convention. At Mr. Brown's right, E. B. Guild, chairman, New York Association's Agricultural Committee. Right, Mr. Wall, whose department is responsible for the publication of the farm data

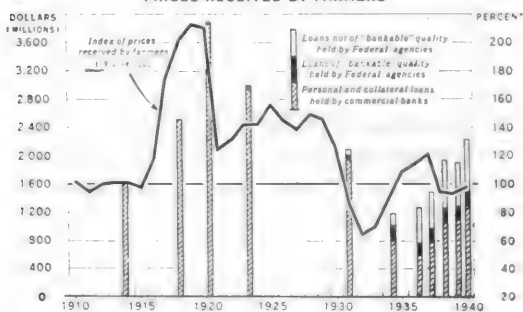
of commodity loans by the Commodity Credit Corporation.

In the last World War period, the expansion in personal and collateral loans to farmers held by commercial banks occurred largely after the close of the war. From 1914 to the middle of 1918, personal and collateral loans to farmers increased by about \$900,000,000. From the middle of 1918 to the end of 1920 there was a further increase of nearly \$1,400,000,000.

With the rapid expansion in defense expenditures, bankers will naturally be interested in the future course of farm commodity prices. While the general level of prices received by farmers during the last World War period more than doubled, a bulge of similar proportion in prices in the next year or two does not seem probable. At the present time, the large supply of some of our more important farm products will tend to retard any further increases in prices of such commodities, which in some cases already are being supported by the Government at levels above the usual relationship to "World" prices. During the last World War, a substantial export demand contributed considerably to the rise in farm commodity prices. With all of Europe dominated by the Axis powers, the area to which we now can export farm commodities is restricted primarily to Great Britain.

The chart to which Mr. Wall refers

SHORT-TERM LOANS TO FARMERS HELD BY COMMERCIAL BANKS AND FEDERAL AGENCIES, COMPARED WITH INDEX OF PRICES RECEIVED BY FARMERS



U. S. DEPARTMENT OF AGRICULTURE

NEG. 1801 BUREAU OF AGRICULTURAL ECONOMICS

Despite the fact that the upward movement of the general price level may be materially less than in the previous World War period, some increase in the demand for agricultural loans seems likely. The recent legislation providing for Commodity Credit Corporation loans equal to 85 per cent of parity for cotton, wheat, corn, rice, and tobacco will in itself be a factor tending to increase the volume of commodity loans under-written by the Commodity Credit Corporation. Increased costs of the things that farmers buy, and farm labor shortages which may require the purchase of additional equipment, will also be factors tending to increase loan demand. The food-for-defense program announced in April by the Department of Agriculture should likewise tend to increase the demand for funds to finance these commodities.

As indicated in the chart, the amount of loans held by federally sponsored credit agencies became a significant proportion of the total personal and collateral loans to farmers between 1931 and 1935. Loans of "bankable" quality held by federally sponsored agencies include loans to and discounts for "other financing institutions" held by the Federal intermediate credit banks, loans of the regional agricultural credit corporations (now in liquidation), and production credit associations, and a small amount of miscellaneous agricultural loans held by the War Finance Corporation and the Reconstruction Finance Corporation. Loans not of "bankable" quality include emergency crop, feed, and drought loans held by the Department of Agriculture and the Farm Credit Administration, rehabilitation loans held by the Farm Security Administration and its predecessors, and loans on commodities held by the Commodity Credit Corporation.

The classification of loans made by federally sponsored agencies on the basis of their bankable quality is not exact but does give a fair approximation of the type of risk generally involved. It will be noted that in recent years the increase in short-term loans held by agencies other than commercial banks has been almost entirely of a non-competitive character, chiefly rehabilitation loans and Commodity Credit Corporation advances.



# A New A.I.B. Sales Program

**M**OST people are endowed with a natural sales resistance—some to a more highly developed degree than others. If this were not so, with all the plain and fancy trappings and riggings on the market today, the majority would be in a bad way debtwise. For some, however, it is easier to resist the things that will bring happiness and individual advancement than those having no lasting satisfaction.

And so it becomes necessary for anyone who has a really useful product to advertise it with as much eye and intelligence appeal as possible.

On the basis of past growth and achievements it would seem that the merits of the educational opportunities offered by the American Institute of Banking would be so generally accepted as to require no sales promotion. You would almost think you could say, "Here it is . . . come and get it!" and that the 268,000 employees of the country's banks would stampede their consuls with membership applications and the registrars for their educational classes with enrolments.

**H**OWEVER, these past Institute advancements have not been made without the aid of sales promotion and it has been necessary to dissolve stiff sales resistance—strange as it may seem. Irrespective of this, it might be wagered that those who regret having availed themselves of the A.I.B.'s educational advantages could be counted on one hand, if they'd step forth.

As an aid to local chapters and study groups in presenting the many advantages of the Institute's educational work to potential A.I.B. members, last year the national office of the Institute prepared a complete, six-week membership and enrolment promotional campaign, which was spontaneously accepted and was actually used by 110 chapters. This program was based on a nationwide survey conducted by a leading advertising agency. The survey revealed the most productive methods used by various chapters and the appeals that were most effective in bringing about enrolments.

**These Chapters Used the 1940-41 Promotional Program**

Chapter	Membership		Gain	Enrolment		Gain
	May '40	May '41		Jan. '40	Jan. '41	
Central San Joaquin Valley, Calif. . . . .	212	239	27	158	170	12
San Diego, Calif. . . . .	356	375	19	244	315	71
Washington, D. C. . . . .	556	571	15	240	361	121
Lincoln, Nebr. . . . .	52	100	48	50	99	49
Rochester, N. Y. . . . .	824	845	21	312	342	30
Philadelphia, Pa. . . . .	2,329	2,453	124	569	817	248
Providence, R. I. . . . .	673	702	29	391	410	19
Chattanooga, Tenn. . . . .	160	183	23	48	70	22
Knoxville, Tenn. . . . .	57	91	34	45	61	16
Fort Worth, Texas. . . . .	234	257	23	122	138	16
Salt Lake City, Ut. . . . .	271	287	16	149	164	15
Bluefield, W. Va. . . . .	51	82	31	54	74	20
Huntington, W. Va. . . . .	100	148	48	35	115	80
Milwaukee, Wisc. . . . .	548	627	79	216	317	101

## Chapter Presidents Approve Planned Campaign

**BERGEN COUNTY (New Jersey)**—"Extremely favorable. We could not possibly have had the same caliber of work done for anything near the price paid. The cheapest piece of advertising we have had."

**CENTRAL SAN JOAQUIN VALLEY**—"I believe it had some effect, as we had the largest registration this year in the history of the chapter."

**HUNTINGTON**—"It leaves nothing to chance."

**NORTHWESTERN OHIO**—"Finest plan I have ever seen to present the A.I.B. message to banks and employees."

**ROCHESTER**—"The results obtained have completely sold us on the value of such a program. It simplified our promotional work."

**SALT LAKE CITY**—"The smaller chapters like our own cannot afford to spend any substantial money for promotional material. This program was just what we wanted to fill a long-felt need. I personally feel it was 'tops'."

**WASHINGTON**—"Very good. Favorable comment even from people not interested in joining."

After last Fall's chapter membership and enrolment campaigns were concluded, to determine the effectiveness of this promotional advertising and to get constructive criticisms and suggestions for future guidance, the national office surveyed the chapters having used the material, with the following findings: (1) Chapters wanted the national office to prepare another campaign for 1941-42; (2) a majority felt that the period covered by the campaign should be reduced from six to four weeks; (3) results obtained were voted highly satisfactory; (4) exact ratings as to pulling power were obtained for each poster, folder, and blotter, and (5) comments were interesting and helpful.

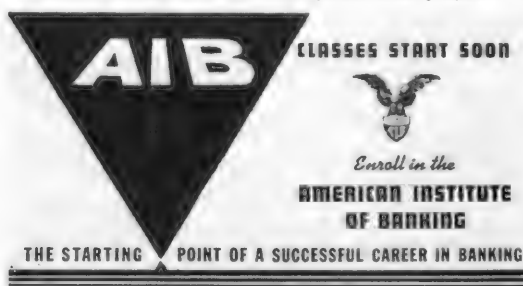
**A**CTUAL membership and enrolment figures of a representative group of chapters having used the national office's promotional material during their 1940-41 enrolment campaigns and remarks of some chapter presidents—reproduced with this article—serve to illustrate the helpfulness and effectiveness of an expertly planned and conducted educational program in overcoming sales resistance to the many advantages of A.I.B. membership.

The 1941-42 program consists of: (1) a campaign designed to cover a four-week period; (2) four new posters, 10½ x 15, each presenting a timely reason for

A.I.B. training; (3) three new folders, with a variety of appeals; (4) a new blotter; (5) form letters, news releases, and helpful suggestions presented as an aid to local chapters in arousing interest and stimulating enrolments; and (6) a schedule for timing and sequence of the posters, folders, and other material.

The generous use of color on the posters, folders and blotter should add to their pulling power. Much of their real beauty, however, is lost in the illustrations which follow because the color cannot be reproduced. Illustration and design are combined with color in a way that attracts immediate attention for the concise copy. Each of these pieces has a definite purpose in the promotional program.

A blotter has a utilitarian value not found in most promotional pieces. As it is used from day to day it serves as a constant reminder of the product or service it advertises. Below, the blotter included in the 1940-41 promotional program



The "Flying Blind" poster, above, is in blue, red, black and yellow. The title portends tremendous hazards and has great interest value these days. It dramatizes the need for A.I.B. training

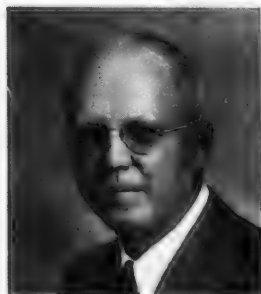
The poster at left—"Trained Men Needed"—also is in four colors. This subject also ranks at the top of current interest and is intended to show that the need for trained men in industry is paralleled in banking. Right, the cover page of a folder carrying a message from National Educational Director Irwin, who is shown in his New York office



# Some State Association Presidents

1941-1942

MINNESOTA—O. G. Jones,  
Red Wing



OHIO—John E. Wise, Willard



MICHIGAN—E. W. DeLano,  
Allegan



FLORIDA—G. E. Lewis,  
Tallahassee



KANSAS—C. F. Pack,  
Kansas City



NEW JERSEY—L. A. Cham-  
bliss, Newark



OKLAHOMA—R. B. Patton,  
Henryetta



INDIANA—W. W. Gasser,  
Gary



WISCONSIN—H. J. Steeps,  
Baraboo



NEW YORK—E. C. Dono-  
van, Auburn



MISSOURI—C. D. Harris,  
Cape Girardeau



VIRGINIA—G. F. Lenz,  
Newport News



DISTRICT OF COLUMBIA—  
T. S. Holland, Washington



CALIFORNIA—J. S. Curran,  
San Francisco



TEXAS—P. R. Hamill,  
Bay City



HARRIS & EWING

BLACKSTONE

# ORGANIZATIONS AFIELD

JOHN J. McCANN *reports on activities of national, state and local bankers' organizations.*

## Manual

THE SAFE DEPOSIT COMMITTEE of the INDIANA BANKERS ASSOCIATION in its first year of study discovered a lack of uniformity of procedure and understanding of the legal liabilities involved in this type of service. As a result of its continued study, the committee has issued a 20-page manual of safe deposit operation and practice, wholeheartedly endorsed by the State Department of Financial Institutions. The manual covers legal relationship, all phases of management, provisions and official interpretation of state laws, insurance, contracts and necessity of administration. A supplementary section illustrates a full set of approved forms which, it is hoped, will soon become uniformly adopted throughout the state.

## Warnings

ARKANSAS BANKERS ASSOCIATION publishes regular reports on counterfeiting and bogus-check passing as discovered by member banks. While this policy is undoubtedly an excellent protective measure, the association feels that something more should be done with the information. In view of the fact that small local merchants are largely the victims of clever operators, the association suggests that each member bank post the bulletins in a conspicuous place in the lobby. Furthermore, it advances the idea of contacting local newspaper editors and making an arrangement to pass on this important news to the public. Such a program on a statewide basis would certainly discourage professional forgers.

## Banker-Farmer

THE COMMITTEE ON AGRICULTURE of the NEW YORK STATE BANKERS ASSOCIATION is now organizing a special speakers bureau to round out its highly successful contact program. Through county key bankers, the committee hopes to enlist the services of at least four bankers in each section to be available as guest speakers at local farm meetings during the year. At this point six counties in central and western New York have already been organized. Other agricultural counties are expected to follow shortly.

No particular list of subjects has been published, but the bureau will endeavor to meet every request of regional farm organizations, and will of course emphasize banking relationships on all occasions.

## Educational

THE EDUCATIONAL PROGRAM of the PENNSYLVANIA BANKERS ASSOCIATION is again directed to public schools and adult audiences. Two booklets have been issued on banking and economic subjects for elementary and high school distribution. These will be used by teachers and scholars under certain rules and regulations formulated by the committee.



YESTERDAY AND TODAY—Thomas Crew, Anglo California National Bank at Chico, and Frank Doyle, Exchange Bank, Santa Rosa, greeted by President Gock as they drove to the hotel in Pasadena, in a Gay Nineties rig, for the California Bankers Association convention

The material is furnished to schools where interest has been developed either through direct personal contact by members of the PBA, by county key bankers or through notices carried in educational organs cooperating with the association. Individual members called upon to make platform talks before student bodies also use this material as a guide. The A.B.A. platform talks and "Building Business for Your Bank" have been recommended for general use by the membership in the adult education phase of the program.

## Service Charges

A SPECIAL BULLETIN issued recently by the NEW JERSEY BANKERS ASSOCIATION contains a comprehensive analysis of costs and service charges in 182 member banks. The study covers such pertinent subjects as: net and gross revenue resulting from service charges for comparative periods, public reaction to charges in force, types of plans in use, dividend policies and other important questions. The report indicates that service charges are generally looked upon as an essential form of income. By uncovering the variety of methods employed in computing charges, the committee hopes to encourage a uniform system for the state eventually.

## Forms

FOR SEVERAL YEARS, the MASSACHUSETTS BANKERS ASSOCIATION has appointed a subcommittee charged with the responsibility of maintaining a manual of banking forms for the membership. The committee recently called upon the Personal Loan Commission to submit a selection of up-to-date loan forms incorporating the numerous refinements of modern procedure. As a result, a seven-page illustrated supplement has been published with an open invitation to adopt, upon consultation, any or all of the approved forms.



The committee also offers to accept and fill purchase orders on any of the material included in the manual.

### Records

BANK EXECUTIVES are daily faced with the question of retaining, storing and disposing of tons of records. A most complete answer to this problem has been issued by the NATIONAL ASSOCIATION OF BANK AUDITORS AND COMPTROLLERS through its Chicago Conference. The report in booklet form schedules the period of retention on 177 various types of forms and records, conveniently grouped in 23 departmental classifications. Every item is cross indexed. An approved schedule of destruction form is also included.

The material has been compiled after consultation with more than 100 institutions. Preliminary schedules were examined by experienced bankers, attorneys and operating executives. Adjustments of retention time for certain items were made to cover most questions, real or hypothetical, presented by them. The ILLINOIS BANKERS ASSOCIATION recently distributed copies of the booklet to its full membership.



### Score Card

THE SOUTH DAKOTA BANKERS ASSOCIATION issues a new type "Agricultural Score Card" for keeping week-to-week activity records for the A.B.A. 1,000 point system. The card form provides space for "meetings attended", date, attendance, part taken

by the individual and expenses incurred. Also a record form for various farm activities influenced by the individual bank. This information is accumulated and transferred later to a summary report sheet to be submitted to the agricultural committee. For convenience the card is cut to No. 10 envelope size with a hole punched at top center for hanging in a conspicuous place.

### Declaration

A FEATURE of the impressive 50th anniversary ceremonies conducted by the recent ILLINOIS BANKERS ASSOCIATION convention at Chicago was a declaration of policy. In rephrasing the original text composed in 1891, the association as a body reaffirmed the purpose and provisions of the constitution and by-laws adopted by charter members in that year. Among the points highlighted was an urgent appeal to all governments, national, state and local, to curtail all expenses for non-essential purposes to the end that the wealth of the people may be conserved and that unnecessary tax burdens may be avoided.

### Thrift

THE OREGON BANKERS ASSOCIATION recently distributed copies of a new personal budget and book-keeping system to the membership. The material is the result of a special study conducted by the assistant manager of the Bank of America, Portland. The system

provides record forms for a two-year period, including a schedule of fixed charges and supplementary budget, separate forms for income records and check register, and annual financial statement. A large number of member institutions have subsequently offered the system to customers.

### Pool

THE FIRST cooperative effort of members of the SAVINGS BANKS ASSOCIATION OF THE STATE OF NEW YORK in the metropolitan area to sell repossessed real estate was inaugurated recently. Thirty-eight institutions have pooled their listings with the Group V Mortgage Information Bureau. Properties are classified according to type and section and copies are issued to all bona-fide prospects. This action was prompted by an anticipated increase in real estate activity based upon consolidated sale figures for the first quarter of 1941. Behind this activity bankers attribute the effects of higher rents and taxes.

### Operations Survey

THE BANK MANAGEMENT COMMISSION of the KANSAS BANKERS ASSOCIATION has just issued the 1941 operations survey compiled from figures submitted by 401 member institutions. Complete charts of earnings and expenses have been broken down for 13 size classifications, with summaries of average total resources, assets, gross deposits, checking deposits and gross income. Supplementary graphic charts show the source and distribution of income for each classification. Other charts summarize service charges by groups and counties for the year 1940. And a final master form gives a comparison of average operating ratios from 1937 through 1940.

In addition to a synopsis of the commission's activities which placed special emphasis on the Kansas bankers clinic, uniformity of service charges, wage and hours and operating analysis, the 34-page report includes a statement of principles.



### Public Relations

THE CALIFORNIA BANKERS ASSOCIATION tallies the results of its four months' public school speaking contest in a recent bulletin. As impressive as the participation of 16,000 students in 357 high schools, is the fact that the association has received testimonial letters from practically every educator in the state. The publicity scrapbook bulges with local clippings. There's

scarcely a publication in California that did not support the event with headlines. Tabulate the tens of thousands of audiences that attended the preliminary and finals, the radio listeners entertained, the teachers, parents and students affected and the figure cuts as large as the entire population of the state.

## \$42,000,000,000 Loaned By 6,100 Banks Last Year

### Houston Reports On Lending Study

More than 42 billion dollars of loans were made in 1940 by 6,100 of the nation's commercial banks, P. D. Houston, president of the American Bankers Association, reported in an address to the annual convention of the American Institute of Banking at San Francisco.

These loans involved 27,000,000 extensions of credit to individuals and business enterprises, Mr. Houston said. He explained that this statistical picture of the lending activities of banks last year was the result of a semi-annual survey of bank loans conducted by the Association.

Mr. Houston emphasized that the survey was participated in by only 43 per cent of the 14,000 commercial banks.

"A survey of the lending activities of all the banks, if such a survey were possible, would show even larger totals for the number of loans and their dollar volume," he asserted.

"We now have the lending record of 6,100 banks or 43.3 per cent of the nation's banks for the whole of 1940. The survey shows that during the year 1940 these 6,100 banks made 27,600,000 credit extensions totaling \$42,200,000,000 to business firms and individuals.

"These banks reported that during 1940 they made: 15,038,051 new loans totaling \$25,005,111,347; 12,295,835 renewals of loans totaling \$16,306,034,876; and 298,748 new

(Continued on page 95)

### State Bank Division Has 25th Anniversary

The silver anniversary of the State Bank Division of the American Bankers Association will be celebrated during the Association's annual convention in Chicago next September. Harry A. Bryant, president, Parsons Commercial Bank, Parsons, Kansas, is division president.

## \$125,000 Spent On Defense Bond Ads By Banks in Week

More than \$125,000 of newspaper advertising space was bought in one week's time by the banks of the United States to launch the sale of Defense Bonds, Merle E. Seelman, deputy manager and director of advertising of the American Bankers Association, reported to B. M. Edwards, assistant to the Secretary of the Treasury.

"This sizable sum of outright expenditure by banks, which

(Continued on page 95)

## A.B.A. Spurs Defense Bond Sale With Promotion, Speech Material

### New Series of Ads Goes to the Banks

With the approval of United States Treasury officials the A.B.A. Advertising Department has distributed to all the nation's banks a new series of advertisements to assist in the sale of Defense Savings Bonds and Stamps.

Included in this material are three effectively illustrated newspaper advertisements; a folder entitled "Our Buy-Me-A-Bond Plan", explaining a plan by which bank customers may arrange for the periodic purchase of bonds and have the cost charged to their accounts; another folder which makes a patriotic appeal to buy Defense Bonds and Stamps; a handy-sized blotter illustrated with a picture of a "mosquito" torpedo boat; and a safety envelope in which to keep Defense Bonds and Stamps.

The envelope provides space for recording purchases and carries a message promoting the safe deposit department.

### Scripts for Radio and Group Talks

The Public Relations Council of the American Bankers Association has completed its series of talks for use by bankers before local groups and for radio broadcasts explaining the merits of the Defense Savings Bonds and Stamps.

The Treasury Department has asked the radio stations of America to turn over free time to the banks to tell the story of Defense Bonds.

Vincent F. Callahan, chief of the radio section of the Treasury's Defense Bond staff, has written the radio stations in part:

"Like the radio stations of the land, the nation's banks have rallied to the support of the Treasury Department's campaign to raise monies essential to our national defense through the sale of Defense Savings Bonds and Stamps to every American. As a patriotic gesture the banks have undertaken to serve without profit as sales agents for the Defense Bonds.

### Bank Cooperation Asked

"Since the banks represent an important part of our distribution, we are anxious to get their side of this vital picture to the entire nation. Hence, we again solicit your cooperation."

In advising the state associations and various A. B. A. and A. I. B. groups of the Treasury's move to obtain free radio time, William T. Wilson, director of the Public Relations Council, states:

"Wholehearted response from the banks in publicizing defense securities will have vast public relations significance."

### For Bank Customers

Below is part of the folder describing the A.B.A.'s new bond-a-month plan

### Essential Facts About SERIES E

#### DEFENSE SAVINGS BONDS

Type of Bond—Appreciation bond. Registered. Not transferable. Taxable as to income by Federal Government only. Subject to estate, inheritance, gift or other excise taxes.

Dated—First of month in which payment is received by issuing agent.

Maturity—10 years from issue date.

Interest Rate—No interest will be paid but the bonds will periodically increase in redemption value and if held to maturity will return a yield of 2 1/2 percent per year, compounded semi-annually. The yield will be less if redeemed prior to maturity.

Registration can be only in—

- (1) the name of one individual.
- or
- (2) of two individuals as co-owners.
- or
- (3) of one individual and one individual as beneficiary.

Limitation on Holdings—\$5,000 (maturity value) issued in any one calendar year.

Redemption—Any time after 60 days from



A simple automatic way  
for our depositors to buy

**UNITED STATES  
DEFENSE BONDS**

## Consumer Credit Council Drafts "Creed," Standards, and Time Sales Terms

The A.B.A. Consumer Credit Council has promulgated a "consumer credit creed" setting forth the social principles it believes should govern the extension of consumer credit loans to the public, a "standards of practice" statement, and a set of recommended terms for time sales. Kenton R. Cravens, vice-president, Cleveland Trust Company, is chairman of the Council.

The table of terms recommends minimum down payments and maximum maturities on loans made for the purchase of various types of goods. It covers 21 items. It recommends, among other things, 33½ per cent down payments on new automobiles and used cars not older than three years, with monthly repayments limited to 18 months, and down payments of 40 per cent on older used cars, with monthly repayments limited to 12 months; 15 per cent down payments on such household appliances as refrigerators, stoves, stokers, oil burners and air conditioning, with monthly repayments limited to 24 months, and 20 per cent down payments on such appliances as washing machines, irons, sweepers and sewing machines, with repayments limited to 12 months.

The Council states in a preamble that while it recognizes that too great a contraction in terms would have an adverse effect on employment and general business, it believes the terms it recommends will "still give room for the acquirement of aids to convenient living while encouraging to a greater degree the habits of thrift."

### A Sound Basis

In making the announcement, Mr. Cravens said "these terms will put instalment lending on consumer goods on a sound basis which we believe to be important at any time and especially important now."

In the preamble to its declaration of its principles and practices, the Council says: "Con-

scious of the importance of consumer credit in our national economy both as a provider of mass markets and as a stimulator of business in times of recession, and yet recognizing the necessity for its control in time of emergency, the American Bankers Association through its Consumer Credit Department realizes the advisability of restriction of terms, increases in equity payments, and improvements in practice.

### Social Significance

"Believing first that the social significance of consumer credit transcends all others in importance it has promulgated a creed, or a statement of principles rather than rules, emphasizing the dangers of encouraging unwise debt or of creating a state of perpetual bondage on the debtor's part."

The creed states that "the extension of credit to salaried or wage earning individuals on a sound basis is an economically important part of such service," and that "while recognizing the importance of volume in the reduction of loan costs, a bank should endeavor to assist people to get out of debt rather than into it."

### Down Payment

In its "Standards of Practice" statement the Council declares that the basic principle of successful time sales financing is the principle that the purchaser will have sufficient down payment to establish an interest or equity in the merchandise purchased and be able to pay monthly instalments in amount sufficient to increase the equity faster than the merchandise will depreciate from time and use.

It asserts that every retail instalment sales contract should contain or be accompanied by a complete statement of the transaction including cash price, down-payment, unpaid balance, insurance cost, principal balance, finance charge, time balance, and the number, amount and due date of each payment.

### See Page 80

Pictures of the recent resident session of The Graduate School of Banking at Rutgers University and of the American Institute of Banking convention at San Francisco will be found in this month's Picture Log, starting on page 79.

## Mortgage Forms Committee Meets

The A.B.A. Savings Division Committee on Real Estate Mortgages, which is working on a standard inspection and appraisal report and a standard application for home mortgage loans, recently held a two day meeting in New York.

The committee considered the factors that make a good mortgage loan and discussed ways by which a mortgage can be made acceptable to a bank.

Tentative drafts of the proposed forms were submitted, but the committee decided to study the subject further.

The chairman of the group is W. W. Slocum, president, United Savings Bank, Detroit.

## New Forms Book Is Reprinted

Large demand for the new manual "Simplified Banking Forms and Procedures", published by the Bank Management Commission, has necessitated a reprinting of the book.

This 250-page looseleaf guide of simplified operating forms was compiled by a special committee of the Commission after 18 months of research and study.

## Banks Report On Delinquency In Personal Loans

### A.B.A. to Prepare A Monthly Survey

The Consumer Credit Department of the American Bankers Association has inaugurated a monthly delinquency survey, covering the experiences of banks in personal loans.

Walter B. French, in charge of the department, points out that because of changing business cycles these monthly reports will be of "tremendous interest to our banks".

"We are at present," he says, "decidedly in a 'boom' period and collection experiences today will probably undergo a considerable change when a post-war depression sets in."

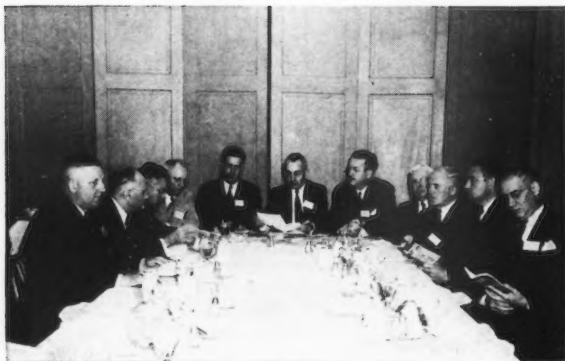
"Then, too, for comparative purposes, member banks which are newcomers in the consumer credit field will recognize the value of comparing their own delinquency experiences with those set forth in this survey."

The survey will be conducted on a nationwide basis. In each monthly report data are first shown for the nation as a whole on the basis of five major classifications and three sub-classifications, setting forth the lowest, highest and average figures reported by banks.

In another table the delinquency experience is broken down into nine geographical districts, for each of which are shown averages for varying periods of time.

Seattle, scene of A.B.A.'s Far West trust conference, Aug. 6-8





MINNESOTA MEMBERSHIPPERS

Here are 11 of the A.B.A. membership workers in Minnesota mentioned in the story elsewhere on this page. They're shown at a breakfast meeting during the Minnesota Bankers Association convention at St. Paul. Left to right, Messrs. Kurth, Duncan, Johnson, Jones, Kalton, Thul, Powers, Peyton, Matzke, Sands and Olson. Mr. Boright took the picture

## \$125,000 in Ads

(Continued from page 93)

receive no profit or remuneration in the sale of Defense Bonds, is further evidence of banking cooperation with the Government in national defense," Mr. Selecman stated.

The information reported was obtained by addressing an inquiry to all daily newspapers in the country. In New York City alone the banks spent more than \$25,000 in one week advertising Defense Bonds in the metropolitan press.

"The aggregate circulation of the reporting newspapers which carried Defense Bond advertising exceeded 22,000,000 copies—more than half of the daily paper circulation in the country," Mr. Selecman declared. "This means conservatively more than 50,000,000 readers."

The A.B.A. also received

over 1,000 clippings of bank advertisements from weekly papers.

A scrapbook containing more than 1,500 newspaper advertisements used by banks on Defense Bonds in about one week's time was presented to the Treasury by Mr. Selecman.

## Houston Reports on Banks' Lending

(Continued from page 93)

mortgage loans totaling \$952,003,424, or an aggregate of 27,632,634 credit extensions totaling \$42,263,149,647."

A total of 1,362 banks reported that they were maintaining open or confirmed lines of credit on their books available to established borrowers in the sum of \$6,140,152,558 and that \$2,241,444,041 or 36.5 per cent of these lines were being used by borrowers on December 31.

## Minnesota Brings In Members

A dozen hustling Minnesota bankers have added 30 new members to the American Bankers Association in a whirlwind drive that covered virtually the entire state. It was like this:

F. J. Thul, vice-president, First National Bank, St. Charles,

## Other States Add New Members

and A.B.A. state vice-president for Minnesota, called a dinner meeting in Minneapolis of membership workers. They went over the list of the banks that were not A.B.A. members, divided them into geographical groups, mapped out routes, and decided to get busy immediately. "Everyone," writes Mr. Thul, "was enthusiastic and wanted to get the list cleaned up."

The next morning the dozen bankers, traveling in teams and singly, started their tour of the state.

As a result, honors went to B. Murray Peyton, president of the Minnesota National Bank, Duluth, and A.B.A. treasurer, and Frank P. Powers, president of the Kanabec State Bank, Mora. They covered 630 miles in a couple of days, bringing back 12 new members.

After getting six of the seven assigned them, they rounded up an extra half dozen—just for practice.

Others contributing to the drive were: Thomas A. Boright, publisher, *Commercial West*; William Duncan, Jr., secretary, Minnesota Bankers Association; William N. Johnson, vice-president, Northwestern National Bank & Trust Co., Minneapolis; O. G. Jones, president, Goodhue County National Bank, Red Wing; M. E. Kalton, cashier, Security State Bank, Wells (A.B.A. membership committeeman); H. R. Kurth, president, Citizens Bank, Hutchinson; Herman C. Matzke, vice president, City National Bank, Duluth; L. O. Olson, cashier, Midland National Bank & Trust Co., Minneapolis; Arthur W. Sands, president, Western State Bank, St. Paul; Oluf Gandrud, president, Swift County Bank, Benson; C. B. Brombach, vice-president, First National Bank & Trust Co., Minneapolis; and Mr. Thul.

The campaign received wide advance publicity from *Commercial West*.

## New Yorkers Hold Defense Securities Round Table

The New York Financial Advertisers recently held a panel discussion of defense securities at which current advertising of banks in promotion of the sales campaign was displayed. In the picture are, left to right, James Rowley, Bankers Trust Co.; Dudley Parsons, publicity director, New York Trust Co.; Robert W. Sparks, U. S. Treasury and vice-president, Bowery Savings Bank; William T. Wilson, director, A.B.A. Public Relations Council. Messrs. Rowley, Sparks and Wilson participated in the panel, together with Robert G. Rouse, vice-president, Federal Reserve Bank of New York





## Loans of State Banks Up in '40

### Increase Reflects Defense Program

Aggregate resources of all state supervised banks in the United States reached a record peak during 1940, according to the 10th annual survey made by the State Bank Division of the American Bankers Association.

The growth of resources last year reflected further substantial additions to cash and bank reserves and moderate increases in loans and United States Government securities. Deposits of state banks, also continuing to expand rapidly, rose to an all-time high for the second consecutive year.

Total resources of all state banks on Dec. 31, 1940, amounted to \$45,481,194,000, loans and discounts to \$13,763,322,000, and total investments to \$16,878,599,000, of which 67 per cent were in United States Government obligations. Combined cash and balances with banks, including reserve balances, at \$12,989,473,000, constituted nearly 29 per cent of resources.

Aggregate deposits of state supervised banks at the close of 1940 were \$40,624,021,000.

The 8,901 state banks engaged in commercial banking business (state commercial banks, loan and trust companies, and private banks) had total resources of \$32,269,304,000 at the year-end, an increase of \$3,367,913,000 or 11.7 per cent over the end of 1939.

Their loans and discounts at \$8,273,379,000 were \$547,859,-

000, or 7.1 per cent, higher than at the close of 1939, and total investments increased by \$889,784,000, or 8.7 per cent, to \$11,116,470,000.

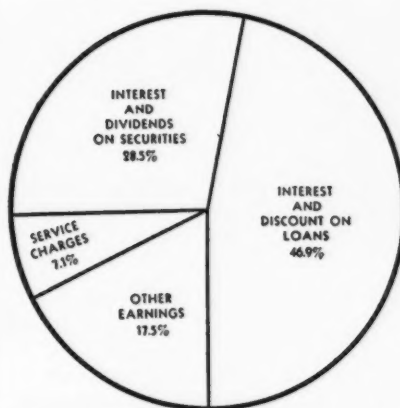
"Most of the increase shown in total investments was attributable to larger holdings of Government securities which continued to expand during 1940, amounting at the year-end to \$7,799,308,000, a gain of \$791,255,000, or 11.3 per cent," says the survey. "Holdings of all other securities aggregating \$3,317,762,000 increased by only \$98,529,000, or 3.1 per cent.

"The rise in loans occurred during the last half of 1940 and was due largely to increased credit demands and growing business activity generated by the defense program."

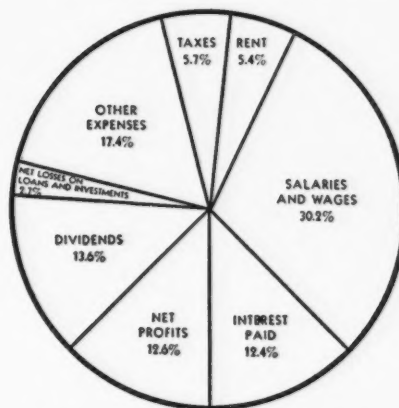
The banks' cash and reserves at the close of 1940 aggregated \$11,829,488,000, an increase of \$2,025,017,000, or 20.7 per cent, during the year.

## STATE BANKS DOING A COMMERCIAL BANKING BUSINESS

SOURCES OF EARNINGS—1940



DISPOSITION OF EARNINGS—1940



The principal sources of gross earnings and allocation of earnings of state banks engaged in commercial banking in 44 states and the District of Columbia are shown in the charts

## Profits of State Banks Higher

Earnings and profits of state banks engaged in commercial business increased moderately in 1940, according to the seventh annual survey made by the State Bank Division of the American Bankers Association.

Expenses also were larger, but did not rise enough to offset increased gross earnings, with the result that in a majority of states net current earnings were higher.

The 8,236 state banks in 45 reporting states had total gross earnings of \$706,627,000 for 1940. Their operating expenses totaled \$501,703,000, resulting in net current earnings of \$204,924,000 before recoveries and charge-offs.

Due to the variation of states reporting from year to year, total yearly figures of combined states are not comparable.

The percentage of net earnings to gross earnings rose to 29 per cent, compared with 28 per cent in 1939.

Net profits after recoveries and charge-offs, but before dividends, for 1940 amounted to \$185,544,000, or 26.3 per cent of gross current operating earnings, the highest percentage of earnings conserved for dividends and reserves in the five year period 1936-40.

After the declaration of cash dividends of \$96,390,000, net profits in 1940 were reduced to \$89,154,000, or 12.6 per cent of gross earnings.

Service charges earned by state banks engaged in commercial business in reporting states showed further growth in 1940, amounting to \$50,288,000, or 7.1 per cent of their gross current operating earnings.

## CONVENTIONS

### American Bankers Association

- Aug. 6-8 19 Regional Trust Conference of the Pacific Coast and Rocky Mountain States, Seattle, Washington
- Sept. 28-Oct. 2 Annual Convention, Hotel Stevens, Chicago
- Nov. 6-7 12th Mid-Continent Trust Conference, St. Louis

### State Associations

- Sept. 8-10 Iowa, Fort Des Moines Hotel, Des Moines

### Other Organizations

- July 14-18 North Carolina Bankers Conference, University of North Carolina, Chapel Hill
- July 17-19 Rocky Mountain Bankers Conference, Boulder, Colorado

- Aug. 18-22 Arkansas Bankers Seminar, University of Arkansas, Fayetteville
- Sept. 8-11 Annual Convention, Financial Advertisers Association, Hotel Statler, Cleveland
- Sept. 11-13 Massachusetts Savings Banks Association, New Ocean House, Swampscott
- Sept. 22-24 Robert Morris Associates, Detroit
- Sept. 26-29 Association of Bank Women, Chicago
- Oct. 1-3 Mortgage Bankers Association of America, New York
- Oct. 8-11 Annual Convention, The National Association of Bank Auditors and Comptrollers, Chicago
- Nov. 30-Dec. 5 Investment Bankers Association, Hollywood Beach Hotel, Hollywood, Florida
- Dec. 1-5 U. S. Savings and Loan League, Miami, Florida

Put an end



to repeat performances  
in the proof department



## *with* INTERNATIONAL PROOF MACHINES

Proving work done once is finished when handled on International Proof Machines. No time lost in "checking out" differences . . . an advantage which eliminates REPEAT PERFORMANCES in the proving of checks received from depositors for collection.

One operation combines sorting, listing, proving, and endorsing procedures and brings them under a single accurate control. Deposits are individually proved against a master control tape so that errors are instantly located; balance is

thus constantly maintained.

These advantages are of particular benefit to banks in the light of today's strictly controlled work-weeks. They mean, simply, that check volumes even though constantly increasing may be handled with maximum speed, efficiency, and economy.

For complete details, write International Business Machines Corporation, World Headquarters Building, 590 Madison Avenue, New York City, or to the nearest branch office.

# INTERNATIONAL BUSINESS MACHINES CORPORATION

Offices in



Principal Cities

ON

ING